DNB Annual Report 2023

Towards an economy that works better for everyone

DeNederlandscheBank

EUROSYSTEEM

Presented to the General Meeting on 13 March 2024.

The cut-off date for this report is 7 March 2024.

Explanatory notes
The original Annual Report, including the financial statements, was prepared in Dutch. In the event of discrepancies between the Dutch version and this English translation, the Dutch version prevails.

Gross domestic product (GDP), used to express quantities in some tables and charts, is GDP at market price unless stated otherwise.

Legend
0 (0.0) = the figure is less than half of the rounding used or nil
blank = a figure cannot logically occur or the data is not reported (to DNB)
- = data unavailable.

Rounding
Figures may not add up due to automatic rounding per series. As figures are rounded for each table, the individual tables do not always fully reconcile.

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President's report

Towards sustainable prosperity for all in the Netherlands

Looking at the macroeconomic data, we can conclude at first glance that the Dutch economy is doing quite well. Still, many people do not experience it that way. Surveys invariably show that many people are struggling financially and are worried about the future. How can we reconcile these two perspectives? Raising the bonnet to look at the engine of the Dutch economy will shed some light on this discrepancy.

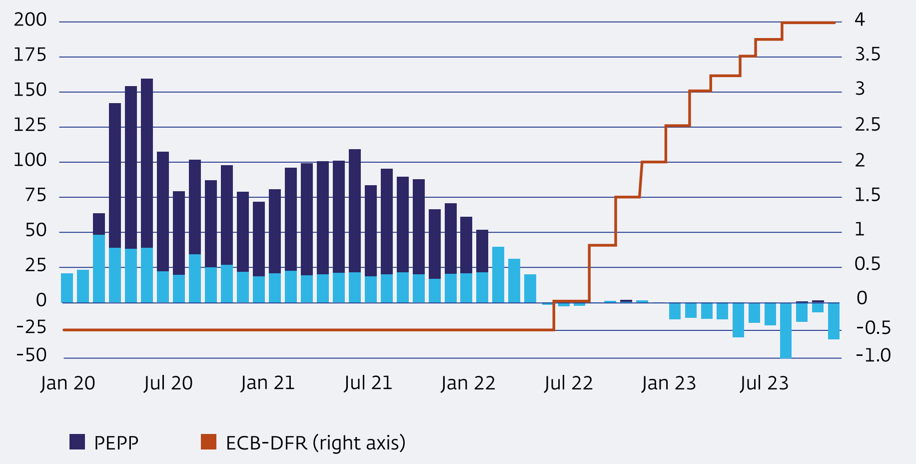
Dutch economy still running above capacity despite low growth; inflation receding

First of all: what is going well? Inflation has fallen rapidly in the past year. This means that the monetary policy of the European Central Bank (ECB) is working. To curb inflation, the ECB rapidly and sharply raised policy rates to 4% in 14 months (see Figure 1). This monetary policy is already having a pronounced effect, for instance by reducing lending and thus dampening demand. This is necessary to bring inflation down. Prices still rose by 4.1% in the year under review (see Figure 2). We expect inflation of 2.9% in 2024, decreasing to below 2% by year-end 2025.

This fall in inflation appears to be taking place with limited damage to the economy. Economic growth moderated to 0.1% during the year under review, following two years of historically high growth after the pandemic. Nevertheless, a real recession has been averted (see Figure 3), despite three consecutive quarters of slight contraction. The economy is expected to gradually leave this negative-growth territory in 2024, growing by 0.3%, followed by 1% growth in 2025. This period of below-potential growth is needed to bring inflation back to the 2% target.

Figure 1 Policy rates raised quickly and sharply (and purchase programmes scaled back)

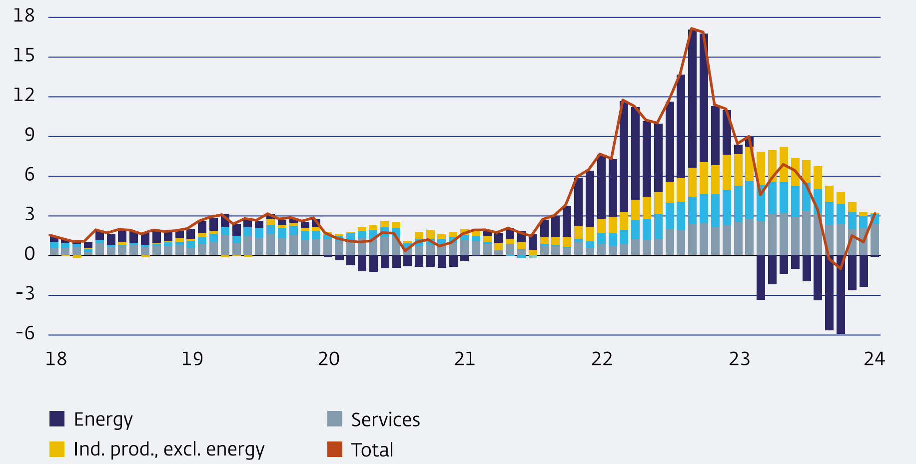
EUR billion, percentages



Source: ECB.

Figure 2 Inflation returning to 2%

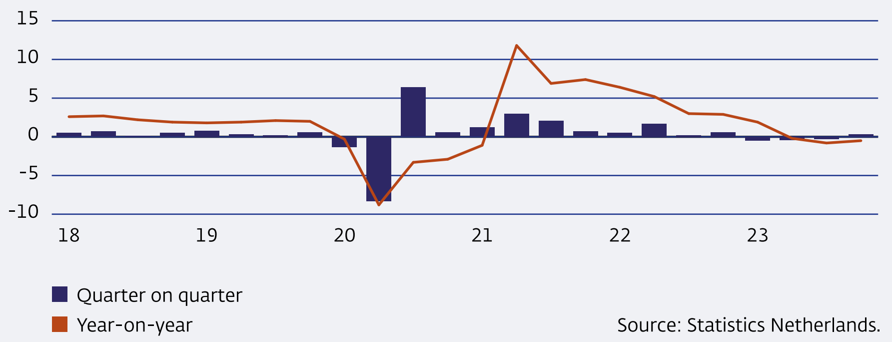
Netherlands, percentage points and percentage changes (y-o-y)



Source: Statistics Netherlands.

Figure 3 Real recession appears to have been averted

Dutch GDP, percentage changes

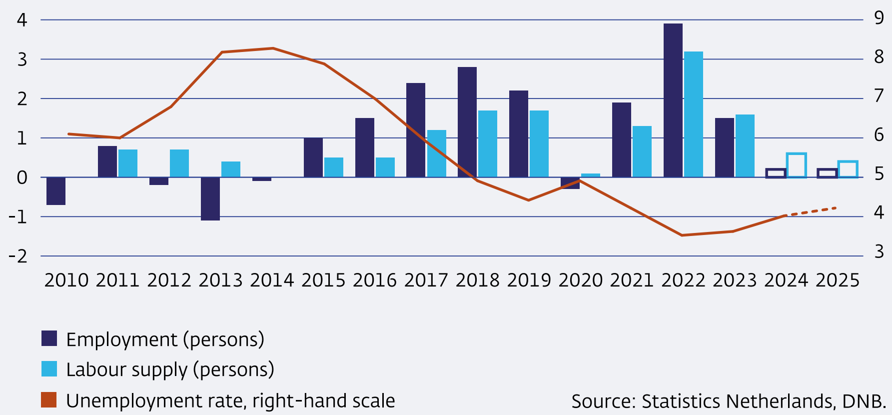


Source: Statistics Netherlands.

Thus, although economic growth has slowed considerably, employment has remained level (see Figure 4). Despite the rapid succession of crises, full employment has been sustained for several years. The labour market remains as tight as ever: in the fourth quarter of the year under review, there were 114 job vacancies for every 100 unemployed people.

Figure 4 Despite disappointing growth, employment level maintained

Year-on-year percentage changes and percentage of the labour force, DNB projection shaded and dotted line

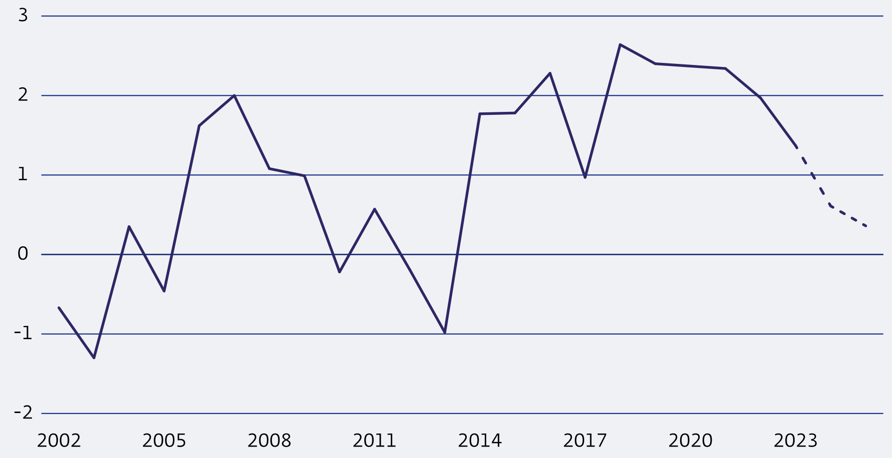


Source: Statistics Netherlands, DNB.

As a result, labour shortages persist in many sectors, partly due to population ageing. 'Staff wanted' notices are still ubiquitous in shop and restaurant windows throughout the land. Negotiated wages continue to rise and are expected to increase by 5.7% in 2024, following an increase of 6.1% in the year under review. These are significant increases from a historical perspective, and they are now also higher than inflation. This is one of the reasons why household spending is continuing to grow. Government purchasing power measures – such as raising the minimum wage, child benefits and rent allowance – are additional contributing factors. Real disposable income remained broadly unchanged on average during the year under review (see Figure 5). A slight increase is expected for 2024.

Figure 5 Households' real disposable income higher in most years

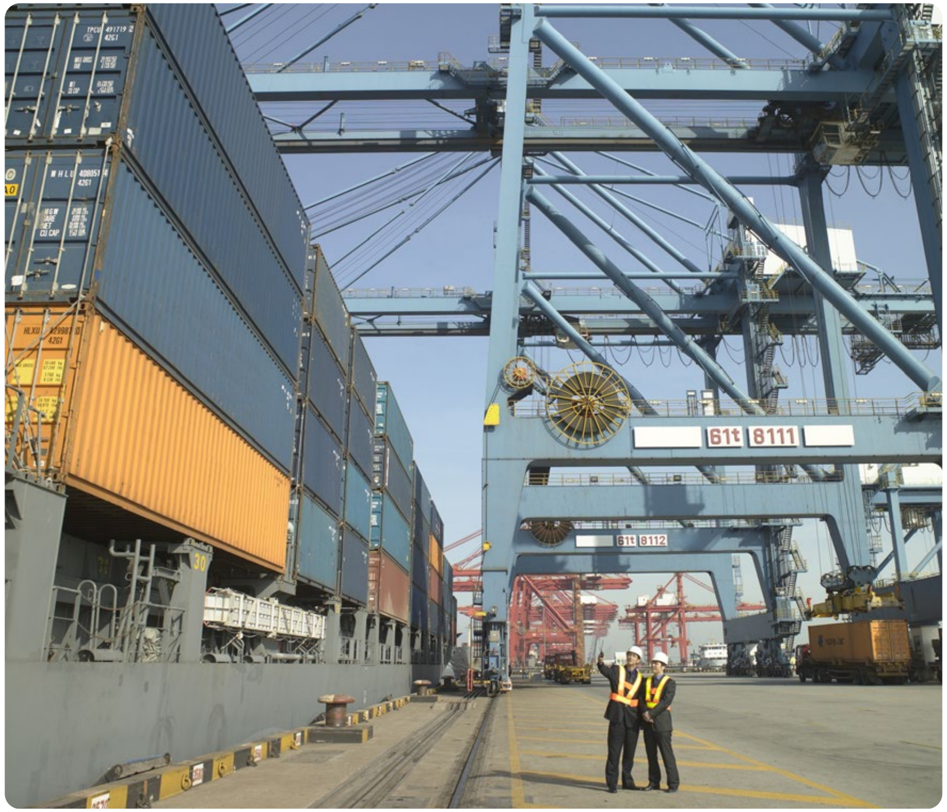
Percentage changes year-on-year, DNB projections dotted line



Source: Statistics Netherlands, DNB.

However, risks to price stability, economic growth and financial stability have not disappeared

The economic outlook for the year ahead is accompanied by a number of risks. For example, inflation may develop less favourably than we currently expect, possibly because the slowdown in wage cost growth may not keep pace with falling inflation or due to a renewed spike in energy prices. That means it is too early to declare victory over inflation. The ECB's policy is therefore to ensure that the decline in inflation continues and that we remain on track to return to the 2% target in 2025 at the latest.



Another risk relates to financial stability. Rising interest rates have made it more expensive for households and businesses in the Netherlands to borrow money. The rapid transition to higher interest rates affects financial stability through several channels. Investors are on edge, making it more likely that turmoil in one part of the financial system will spill over to other parts of the system more quickly and forcefully. Higher interest rates are in principle beneficial for financial institutions: banks' profits tend to increase, for instance. High interest rates are also good for pension funds' funding ratios and insurers' solvency, although in the case of the latter group, interest rate movements are less likely to have an effect under the Solvency II supervisory framework. At the same time, financial institutions must remain alert to the risks of historically rapid interest rate hikes. For example, banks' credit risks may increase because the effects of higher borrowing costs pass through to businesses and households with a lag. Finally, higher interest rates are detrimental for the sustainability of public debt, although this varies from country to country.

Risks are also especially likely to originate abroad. The Dutch economy and financial sector are highly dependent on international developments. With many other central banks also raising interest rates, economic growth is slowing around the globe. Trade between countries is slowing, and global trade is expected to increase only marginally in the years ahead. The war in Ukraine, unrest in the Middle East and increasing trade barriers are putting additional pressure on global trade. This means that Dutch exports are also set to grow only marginally, and may backslide if hit with setbacks. The result is slower economic growth. Further strengthening of the European single market and global cooperation can limit the impact of international shocks.

It is also possible that growth will be better than currently expected if consumption rises faster than anticipated and thanks to continued high wage growth, government measures to boost purchasing power, rising house prices and withdrawals of savings , which are still higher than prior to the pandemic.

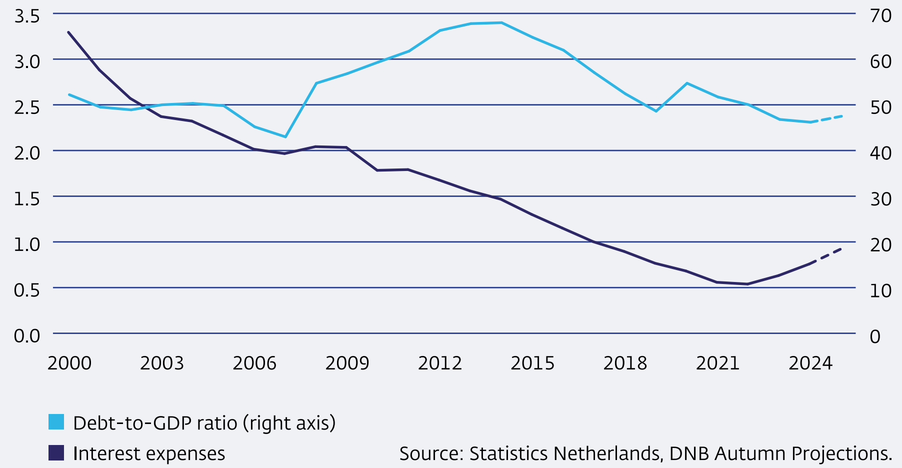
Public finances under pressure

A final risk concerns Dutch public finances. In recent years, the government has spent substantial amounts on temporary purchasing power and energy price compensation measures. Although the public sector deficit has fallen, this was partly due to the failure to implement all government plans in areas such as defence, infrastructure and climate. The previously mentioned tight labour market was one of the reasons behind this. Higher interest expenses (see Figure 6), lower gas revenues and the assumption that government plans will eventually be implemented will push the budget deficit towards the 3% deficit rule in 2024 and 2025 (see Figure 7). In the absence of policy changes, ensuing years will also see public expenditure moving in the wrong direction, partly due to rising healthcare costs.

If our current course remains unaltered, it is likely that the Netherlands will exceed the 3% ceiling we have agreed in Europe. First of all, this means that the debt-to-GDP ratio may rise rapidly, ultimately threatening to exceed the other European limit of a ratio of no more than 60% of GDP. Based on revised European fiscal rules, adjustments will then be unavoidable. However, this also means that the government will have no latitude to absorb setbacks, should they occur. Government intervention during the pandemic and the energy crisis was certainly effective, but it was only possible because sufficient buffers had been built up in public finances. It is important to build up buffers in good times when tax revenues are high and public expenditures, for instance on social benefits, are lower. Having healthy buffers means the government does not have to resort to cutbacks immediately if the economy cools down. However, the opposite is currently the case: despite an economy that is still running at more than full capacity, the deficit is actually increasing.

Figure 6 Government interest expenses to rise again

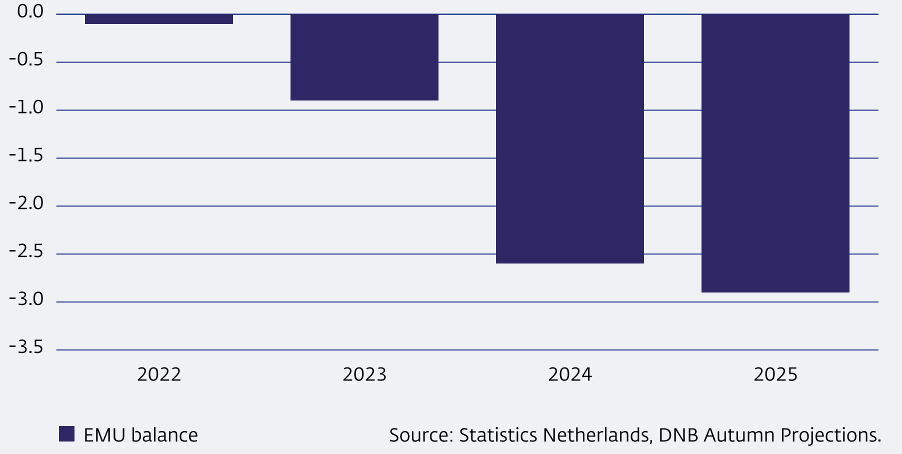
Percentage of GDP



Source: Statistics Netherlands, DNB Autumn Projections.

Figure 7 Budget deficit at risk of rising to 3%

Percentage of GDP



Source: Statistics Netherlands, DNB Autumn Projections.

From an international perspective, the Netherlands remains a frontrunner in many ways

Although the future challenges facing the Dutch economy will also weigh on business, the starting position of the Dutch economy is reasonably good from an international perspective. For example, the Netherlands continues to score well on a wide range of factors that attract businesses. For years, the Netherlands has ranked around fifth on the list of most competitive economies, partly because of its physical and digital infrastructure, its high level of efficiency in the public and private sectors and its favourable geographical location in the European Union. (See the Box.) This is something we should cherish and cultivate.

Box How does the Netherlands score in international rankings?

Compared to other EU countries and the rest of the world, the Netherlands scores quite high on a wide range of topics. In various rankings, the Netherlands holds leading positions when it comes to prosperity and the business climate, especially in terms of infrastructure and business efficiency.

A selection of rankings in which the Netherlands scores high in the EU *(and in the world)*:

■ Most connected economy:	#1	*(1)*	DHL 2022
■ Pensions:	#1	*(1)*	Mercer index 2023
■ Digital competitiveness:	#1	*(2)*	IMD 2023
■ Healthcare:	#1	*(2)*	EHCI 2023
■ Digital Economy and Society:	#3		EC 2022
■ Global innovation index:	#3	*(7)*	WIPO 2023
■ World competitiveness report:	#3	*(5)*	IMD 2023
■ Happiest country:	#3	*(5)*	World happiness index 2023
■ GDP per capita:	#4		Eurostat 2022
■ Work-life balance:	#4	*(5)*	OECD better life index 2023

The unemployment rate, at 3.6%, is among the lowest in Europe, and the risk of living in poverty in the Netherlands, at 16.5%, is significantly lower than the European average of 21.6%.

> ‘We earn a very good living in the Netherlands thanks to the **European single market**.’

The Netherlands is and will remain a trading nation, and owes much of its prosperity to trade. The Netherlands’ imports and exports amount to 177% of its gross domestic product (with 95% of GDP coming from intra-EU trade). The Netherlands’ position as a small, open economy in Europe is of great importance in this respect. The Netherlands has a strong position in many competitive, knowledge-intensive sectors, underpinned by cutting-edge technological developments, while its geographical location also makes it an important transit hub for a wide range of goods.

European single market and the euro boost our prosperity

European Union membership is and will remain a cornerstone of Dutch prosperity. The Netherlands benefits from EU membership more than average. Take the European single market, the whole body of rules that facilitates the free movement of people, goods, services and capital. There has been considerable research into the benefits of the single market. Two conclusions invariably arise from these studies. The first is that every Member State benefits from the single market. The second is that small, open economies, such as the Netherlands, reap the greatest benefits. Overall, the annual benefits of the single market for the Netherlands amount to thousands of euros per household. Even taking into account the Netherlands’ contribution to the EU budget, the benefits remain broadly positive. In the Netherlands we earn a very good living thanks to the European single market.

The Netherlands also benefits relatively strongly from the euro. Our relatively high labour productivity and the inability of countries to devalue in EMU means the euro gives the Netherlands a more advantageous competitive position than if we still had our own currency. Moreover, the euro exchange rate is most likely weaker than a guilder exchange rate would have been, which also boosts our exports to the rest of the world. This generates higher corporate profits and thus also increases tax revenues for the Dutch State. You could say that the euro always gives a little boost not only to the Dutch economy, but also to the Dutch treasury.

The favourable macroeconomic picture is often not perceived as such domestically

Looking at macroeconomic data, we see an economy that is doing quite well, especially compared to peer nations. Yet many in the Netherlands do not experience it that way. Surveys invariably reveal that many people are worried about the future. It is widely expected that the generation growing up now will have it worse than their parents. People are concerned about their socioeconomic security and the impact of migration. And many Dutch people see more disadvantages in globalisation than benefits.

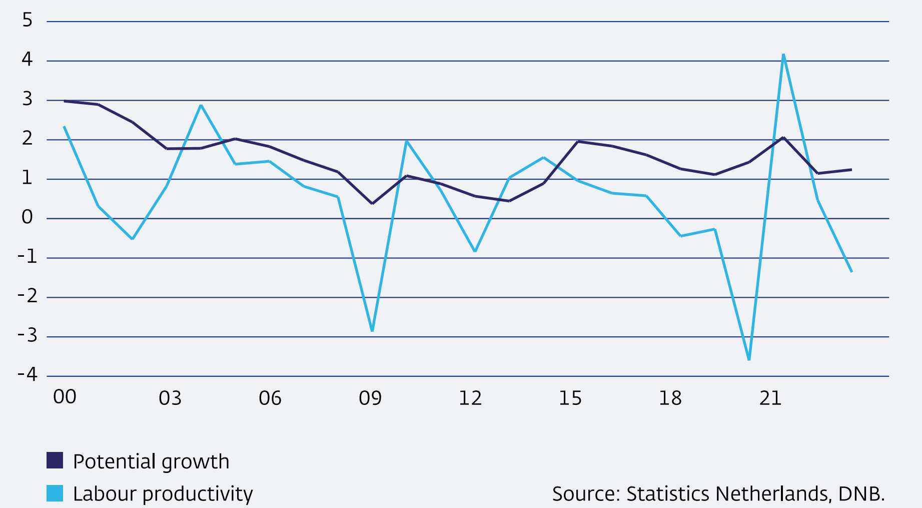
How can we reconcile these two perspectives?

Dutch economy running into capacity limits

First, the Dutch economy is clearly nearing its capacity limits in several areas, making it more and more difficult to solve urgent problems. Our physical space and infrastructure are under pressure. And there are additional chokepoints, including the overtaxed power grid, full roads and trains, along with environmental and climate issues such as carbon emissions and nitrogen pollution. Another constraint we are facing is that the labour force is ageing rapidly. Labour force growth is expected to come to a virtual standstill in the years ahead, and it will only begin to pick up slowly again around 2040. A number of key sectors such as healthcare, education and new housing construction are facing labour shortages. For the time being, labour productivity growth will not offset these shortages (see Figure 8). Whereas our labour productivity is high, including from an international perspective, the same cannot be said for its growth.

Figure 8 Lower labour productivity growth stifles potential growth

Percentage changes, year-on-year



Source: Statistics Netherlands, DNB.

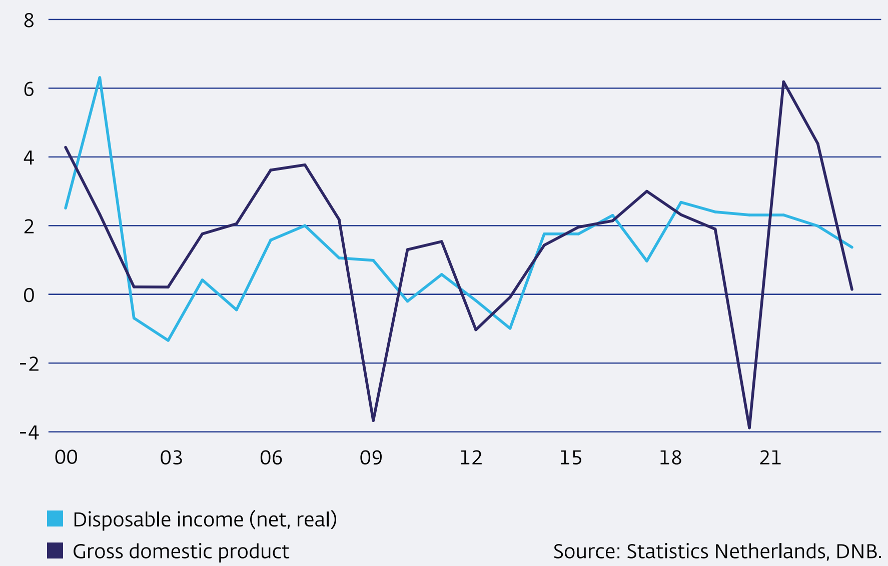
Consequently, the development of potential growth is very low in the Netherlands, also by international standards, whereas we need higher potential growth if we are to meet the challenges facing our economy and society. And this potential growth must not only be higher, but also sustainable. Here, sustainable means taking into account the physical limits that the Netherlands cannot ignore, in other words growth that is not unduly burdensome on the environment. Failure to do so will put pressure on the attractiveness of the Netherlands for international economic activity, with the risk that the economy will stagnate.

Households do not benefit sufficiently from growth in prosperity, partly due to the division in the labour market

The Dutch business sector has benefited greatly from free trade, the single market and the euro in recent decades. For Dutch households, this applies to a lesser extent. The Netherlands' success in the global economy therefore does not reach different groups in society equally. In recent decades, household disposable income growth has not kept pace with growth in the economy as a whole (see Figure 9). To a large extent, this is because the share of our national income that workers receive has been steadily declining, while the share going to businesses has increased. Since wages tend to react to unexpected inflation with a time lag, however, some reversal in this situation can be expected in the coming years. Incidentally, the steadily declining wage share is not a phenomenon that is restricted to the Netherlands. We also see this trend, which is related to globalisation and technological progress, among other things, in other Western economies. But there is something else going on in the Netherlands: excessive flexibilisation, particularly at the lower end of the labour market. This is something that all sides can agree on.

Figure 9 Real disposable income lags behind GDP

Percentage changes, year-on-year



Source: Statistics Netherlands, DNB.

'**Working people** are getting a smaller and smaller piece of the pie.'

The often-vulnerable position of flex workers and self-employed individuals is already a cause for concern from a societal perspective. Their situation has been another contributing factor in working people getting a smaller and smaller piece of the pie. It should be noted that the government is taking significant steps to reduce this division in the labour market.

Housing has become unaffordable for many

In addition to the distributional challenges associated with the growth of prosperity, it is clear that the housing market is also presenting us with major challenges. First-time buyers in particular struggle to find housing. The problems in the Dutch housing market are multifaceted, complex and urgent. Finding housing is difficult for several reasons. Demand has been outpacing supply for some time. This is not only because of population growth, but also because households are getting smaller. We have roughly 400,000 too few homes in the Netherlands. Our current housing stock would have to grow by 5% to meet this need.

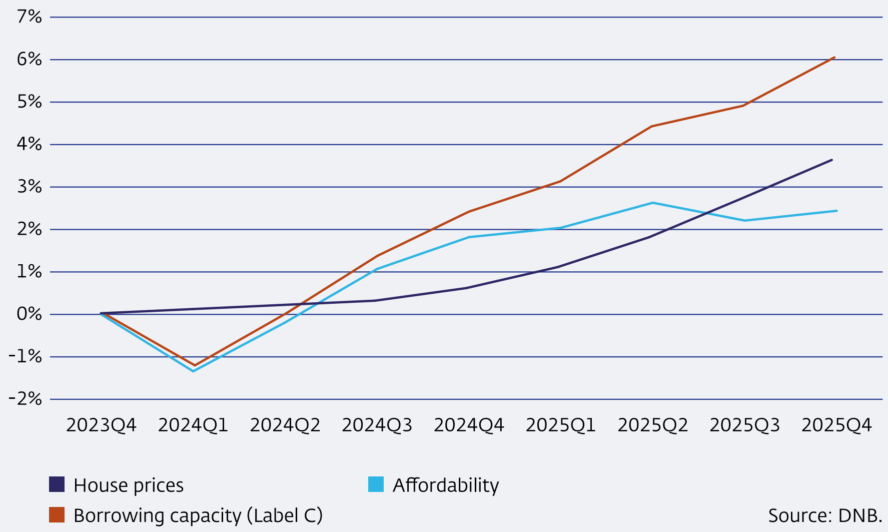
The housing stock does not match people's needs in all cases either. Many older people, for example, find it difficult or impossible to relocate to a smaller home without stairs. On their own or as a couple, they often occupy a large single-family property – and many would like to move to a smaller house – while other cramped families are eagerly seeking larger homes. Our research shows that 1.8 million households would rather be in a different housing situation. Young people are more likely to prefer to buy, while older people are more likely to prefer to rent. It is therefore not simply a question of building hundreds of thousands of new homes; thought must also be given to what type of housing is most needed and where it is most needed, and how to get people to make logical relocation decisions.

> '**1.8 million** Dutch households would rather be in a different housing situation.'

It is also important to consider how much people are willing to pay. The amount that people can borrow is a determining factor for house prices. This borrowing capacity is determined by people's income, mortgage interest rates, tax rules, lending standards and the size of their down payment.

Borrowing capacity is expected to increase in 2024 and 2025. If borrowing capacity rises faster than house prices, housing affordability for first-time buyers will improve in the short term. This would seem to be good news, as they will be more likely to find suitable housing. However, if everyone can place higher bids, house prices will rise in response (see Figure 10). House prices thus track borrowing capacity, and first-time buyers will find themselves back at square one.

Figure 10 Higher borrowing capacity boosts house prices
Percentage change from 2023Q4



Source: DNB.

Note: Borrowing capacity is the maximum mortgage loan for first-time buyers with average household income seeking to purchase a house with energy label C. Borrowing capacity is determined by income development, mortgage interest rates and the borrowing standards set by the National Institute for Family Finance Information (Nibud). Affordability is defined here as the difference between borrowing capacity and house prices.

Renting can be a difficult proposition too. Social housing is often hard to secure due to years-long waiting lists and poor mobility away from this segment. The supply of homes in the non-subsidised private rental sector is also very limited, and rents tend to be high.

Tax rules also create a dichotomy in the housing market between home-owners and tenants. Those who own their home can deduct mortgage interest from their income tax and thus accumulate tax-free home equity. Tenants do not have these advantages and are often limited to expensive properties in the private rental sector. High rents mean they can save less, which means that the prospect of buying recedes further and further into the realm of impossibility.

Not only do these issues lead to social dissatisfaction, but they also create vulnerabilities in the Dutch economy and in terms of financial stability. Unfortunately, there is no simple, quick fix. Short-term measures to improve affordability are sheerly counterproductive.

Some households face a concentration of vulnerabilities

The problems in the labour market and the housing market are exacerbating vulnerabilities among some Dutch households. People with an uncertain position in the labour market often have hardly any financial buffers or scope in their earning potential to absorb setbacks. High housing expenses are common among the lowest and low middle-income earners and put pressure on the household budgets of vulnerable groups. We conducted research into the situation of households in five areas over the past year: These are “work and income”, “assets and debt”, “housing”, “climate change” and “energy”. Our study revealed that some households clearly suffer from an accumulation of vulnerabilities. These households often consist of young, low-skilled or single people, and tenants and people from migrant backgrounds. The COVID-19 and energy crises have shown that large groups of households quickly get into trouble when financial setbacks occur. As an example, nearly one in three households has put aside less than €5,000 in savings or other assets that are withdrawable on demand. For obvious reasons, a lack of financial buffers is a common occurrence in combination with low income. Moreover, the problems are often persistent. The analysis shows that one in three people who were in this situation in 2012, were still in the same situation in 2020. In both 2012 and 2020, half of this group were unemployed. Education can make a difference: people who did manage to improve their situation tended to have a higher level of education in 2020 than in 2012.

Policies needed for sustainable prosperity, leaving no one behind

A new government, despite the healthy current state of the Dutch economy, will be facing a range of major challenges. In recent years policy issues have often been solved by boosting public expenditure, but this is not the right approach to achieve sustainable prosperity for all in the Netherlands. The structural challenges facing the Netherlands cannot be solved by stimulating demand. Rather, structural policies are needed that are aimed at improving the supply side of the economy.

Pricing scarce resources is an alternative that makes sense from an economic perspective. Our society benefits when goods and services have a real cost price – a price that accurately reflects their value and scarcity. The Netherlands will thus have to make informed and clear choices about how we use our physical space, and the same applies to available scope for emissions within the environmental limits. This can be achieved by pricing energy consumption more accurately, for instance. A gradual phasing out of fossil subsidies is also essential in this respect.

How and where we live is another important consideration when it comes to using our physical space. We clearly need more new housing construction, including homes for older people to improve housing market mobility. In addition, the tax benefits associated with owning a home continue to result in unfair differences in housing costs. Opening up the deadlocked housing market will only be possible if we address this fiscal distortion.

> ‘Given the tight labour market, we also **have to decide** which goods and services we want to produce. It is not possible to do everything.’

Given the tight labour market, we also have to decide which goods and services we want to produce. It is not possible to do everything. From a prosperity perspective, it is essential to boost productivity. We should therefore ideally shift our economy’s focus to sectors where productivity is high and which will enhance our prosperity even more. And this means we will need more highly skilled migrants. However, there are currently more than 800,000 migrant workers in the Netherlands, about half of whom earn the full-time statutory minimum wage or less. They are not employed in highly productive sectors. Only slightly less than 10% earn an above-average salary (SEO, CBS 2022). Productivity growth is just one aspect, of course. We also need professionals who fulfil societal needs, for example in the healthcare sector, or technicians who can be instrumental in accelerating the green transition. In short, it is about having the right people in the right place, where the added and societal value is greatest.

If we are to adjust our focus to more productive sectors, we will also need to move towards a fairer cost of labour. The recent increase in the minimum wage is entirely comprehensible in this light. Similarly, it is important to treat different forms of labour equally so as not to create undue cost benefits. For example, at present self-employed workers often retain more of their gross income than an employee. Self-employed workers enjoy a number of tax advantages and are not obliged to participate in some social insurance schemes or pension funds. This cost benefit can serve as encouragement to take the entrepreneurial plunge, even in situations where, in view of the nature of the work, a standard employment relationship would be more appropriate. Finally, a fair cost of labour also increases incentives for entrepreneurs to invest in digitalisation and robotisation, which boosts productivity.

'A number of **key sectors** such as healthcare, education and new housing construction are facing labour **shortages**.'

In addition, we have already noted that the Netherlands' economic success is not distributed equitably among the population. There are still many people in this country who are financially vulnerable despite having a full-time job. At the same time, the government has introduced many additional schemes and exceptions in recent years to address this inequity. This has resulted in a system that is far too complex, unclear for households and impracticable for the Tax and Customs Administration, the Employee Insurance Administration Agency (UWV) or municipal administrative organisations. The government's Simplification of Income Support programme (*Vereenvoudiging Inkomensondersteuning voor Mensen – VIM*) is therefore a good first step. Even then, however, an extra euro of income support will not carry the promise of as much security as an extra euro of earned income. Work should therefore pay enough to make households less dependent on complex allowance systems for making ends meet.

In all this, fiscal policy also has a role to play. In particular, the government will have to opt for measures that support sustainable prosperity and that are aimed at promoting investment in higher potential growth. This includes expenditures which, by their very nature, can only be made by the government, such as for tackling the congestion on the electricity grid or for supporting the knowledge-based economy with high-quality and accessible education. On the revenue side, a major overhaul of the tax system would also be desirable to reduce the tax burden on labour. At the same time, the revised system must not cause the Netherlands to price itself out of the international market. Given the state of public finances, along with the wide range of challenges and wishes, it is inevitable that fiscal choices will have to be made. Not everything is possible, nor does it all have to happen simultaneously. Last autumn's advice from the Working Group on Fiscal Space, specifically not to let the budget deficit rise above 2% of GDP by the end of the government's term, has lost none of its relevance in this respect.

More sustainable prosperity and a better financial sector thanks to digitalisation

We already noted that, amid the labour shortage, it would be wise to structure our economy in the years to come with a focus on sectors where productivity is high and that can help our prosperity grow sustainably. One way to increase labour productivity is to leverage digitalisation. It has already become part of everyday life, but the possibilities are far from exhausted. Digitalisation leads to more efficient use of scarce labour, lower costs, and better products and services for consumers and businesses, which in turn can make their business processes more efficient.

Many sectors, including the financial sector, which we supervise together with other supervisory authorities, have already embraced digitalisation, and the tempestuous evolution of artificial intelligence has not caused them to shy away. Digitalisation has produced more efficient business processes, greater transparency for consumers, and many new services, in particular in the area of payments. It has also made supervision of the financial sector more effective and efficient.

We therefore welcome digitalisation in the financial sector. In order to ensure that the products of these developments are largely beneficial, we, as a financial supervisory authority, naturally also consider the concomitant risks, for example in the outsourcing of digital services to large technology companies. The primary issue here is concentration risk: what if these companies are no longer able or willing to fulfil their contractual obligations? Are financial institutions fully aware of what these large companies are doing with the data they entrust to them? Another aspect is that many of these tech companies are not located in Europe. With geopolitical tensions rising, there is a desire, particularly among European politicians, to develop certain critical technologies on European soil. Europe has some catching up to do in this regard, especially compared to the United States. And of course, we also have the risks associated with cyberthreats or other ICT disruptions, the use of artificial intelligence and crypto services.

Recently, tremendous effort has been put into developing European regulations to manage these and other digitalisation-related risks so that European citizens and businesses can take full advantage of these new technologies, safe in the knowledge that the risks are well managed. Large digital service providers, such as cloud providers, are set to become subject to European supervision, for example. In addition, supervision of crypto service providers is being expanded. However, developments are rapid and the challenge is to reap the benefits of innovation while at the same time acknowledging the risks and adapting laws and regulations accordingly if necessary.

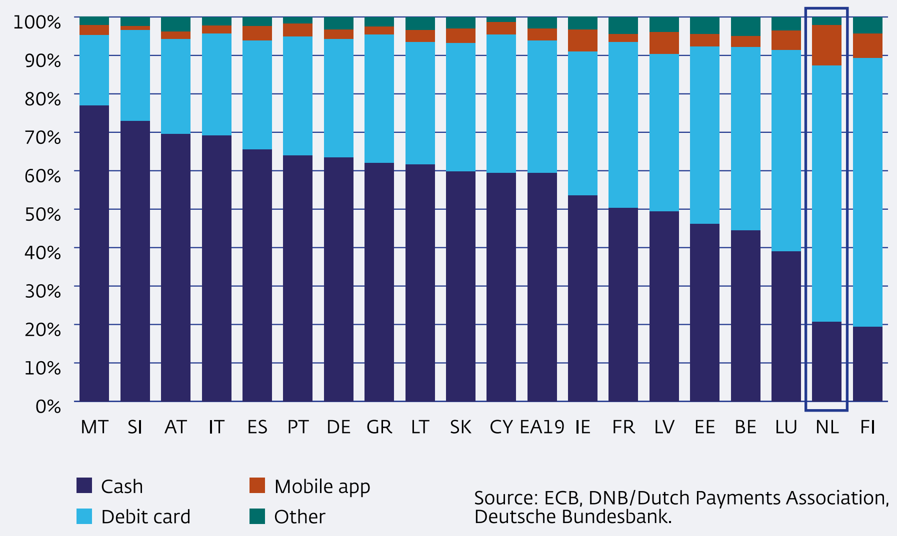
At DNB, we also see the opportunities that digitalisation offers and we are committed to making our core tasks more efficient and effective. We have made major investments in recent years to digitise our supervision in a variety of areas, from risk analysis to communication with supervised institutions. We will continue doing so in the years ahead.

> ‘Tremendous effort has been put into developing European regulations to manage digitalisation-related risks so that European citizens and businesses can **take full advantage** of these new technologies.’

We are also keenly aware of the benefits of digitalisation in the payment system. Dutch consumers have adjusted their payment behaviour as technology has advanced, making the Netherlands one of the frontrunners in Europe when it comes to the use of digital payment options. For example, in 2022 only two in ten purchases were made in cash, while on average almost six in ten purchases were still made in cash in all euro area countries (see Figure 11).

Figure 11 Only 20% of POS payments in the Netherlands in cash

Share of payment methods by number of transactions, 2022



Source: ECB, DNB/Dutch Payments Association, Deutsche Bundesbank.

While we welcome these aspects of modernisation, we see that vulnerable groups are struggling to cope with the wave of digitalisation. DNB research shows that one in six Dutch residents are unable to take care of their payment transactions independently. We believe it is important that the payment system remains accessible to special-needs groups, such as people with visual or hearing impairments. The National Forum on the Payment System has made agreements with banks to improve accessibility for these groups, bringing it to the same level as for people without a functional impairment. These improvements may consist of things such as financial care coaches, enhanced service by telephone, etc.

Moreover, the wave of digitalisation also means that additional agreements are needed to ensure a healthy cash infrastructure going forward. We therefore welcome the legislative proposal of the Minister of Finance to safeguard the future of cash payments.

Given the decreasing use of cash, political institutions and the Eurosystem are working on a digital form of public (cash) money – a digital euro; in other words, a banknote with a digital twist. A digital euro could eventually complement the various means of payment that we already have. A digital euro would allow people to make payments throughout the Eurosystem in an easy and familiar way. A digital euro would make European payments less dependent on countries and businesses outside Europe. In addition, a digital euro would also make European payments – the lubrication of the economy – more resilient by serving as a fall-back payment system, allowing payments to continue when other payment systems temporarily fail.

'A **digital euro** will make European payments less dependent on countries and businesses outside Europe.'

Incidentally, the digital euro is still some way off. A balance must first be struck between privacy and the risk of money laundering, and agreements must be reached on covering the costs associated with introducing the digital euro, to mention just two factors that still need to be addressed. This will all need to be reflected in European legislation. Ultimately, the decision of whether to introduce a digital euro is a political one.

Towards a highly developed and finely tuned economy that works for all

The Dutch economy is strong and resilient. This is evident from macro-economic data and international comparisons, as well as from our experiences during and after the COVID-19 pandemic. However, our economy also faces significant, structural challenges: in the labour market and in the housing market, and when it comes to dealing with our limited physical space and ensuring our living environment remains healthy. And despite our great collective prosperity, also by international standards, many households are struggling.

In recent years, the government has cushioned the financial insecurity of citizens and businesses mainly by deploying its significant financial might. This includes support measures during the pandemic, support for households when energy prices spiked and income support for vulnerable people. This financial might will be lacking in the years ahead. Population ageing and rising healthcare costs will be an ever greater drain on public finances. It is therefore important to rebuild sufficient buffers so that cutbacks do not have to be made in the future.

Even with restored financial capabilities in the central government budget, the structural challenges will also require a different response that goes beyond mere money, whatever the amount. A sustainable approach requires a coherent package of measures that are not aimed at a quick fix, but at resolving the long-term problems. With policies in which the true cost of scarce resources, nature, physical space and labour is given a more central role. This will require vision, patience, and unambiguous choices.

The challenges we are facing will not simply fade away. But they can be solved, provided we leverage our economic strength. This strength emanates from our solid position in the European Union, our goose that lays the golden eggs. A position we owe in part to our ability to work together here in the Netherlands, both in the public and private sectors, and to our desire to reach consensus. Our ability to work together to respond quickly and appropriately to opportunities and threats from outside. We must use this strength and ability to move towards a highly developed and finely tuned economy where housing is affordable, where work pays and where there is space to live and thrive. In short, an economy that not only scores well internationally, but that also works better for everyone in the Netherlands.

Our highlights in 2023

Highlights in 2023

January

24 January

First statistics of the Dutch financial sector on carbon footprint, climate change risks and green bonds online

→ Read the article

26 January

Multimillion-euro fine imposed on crypto provider Coinbase

→ Read the article

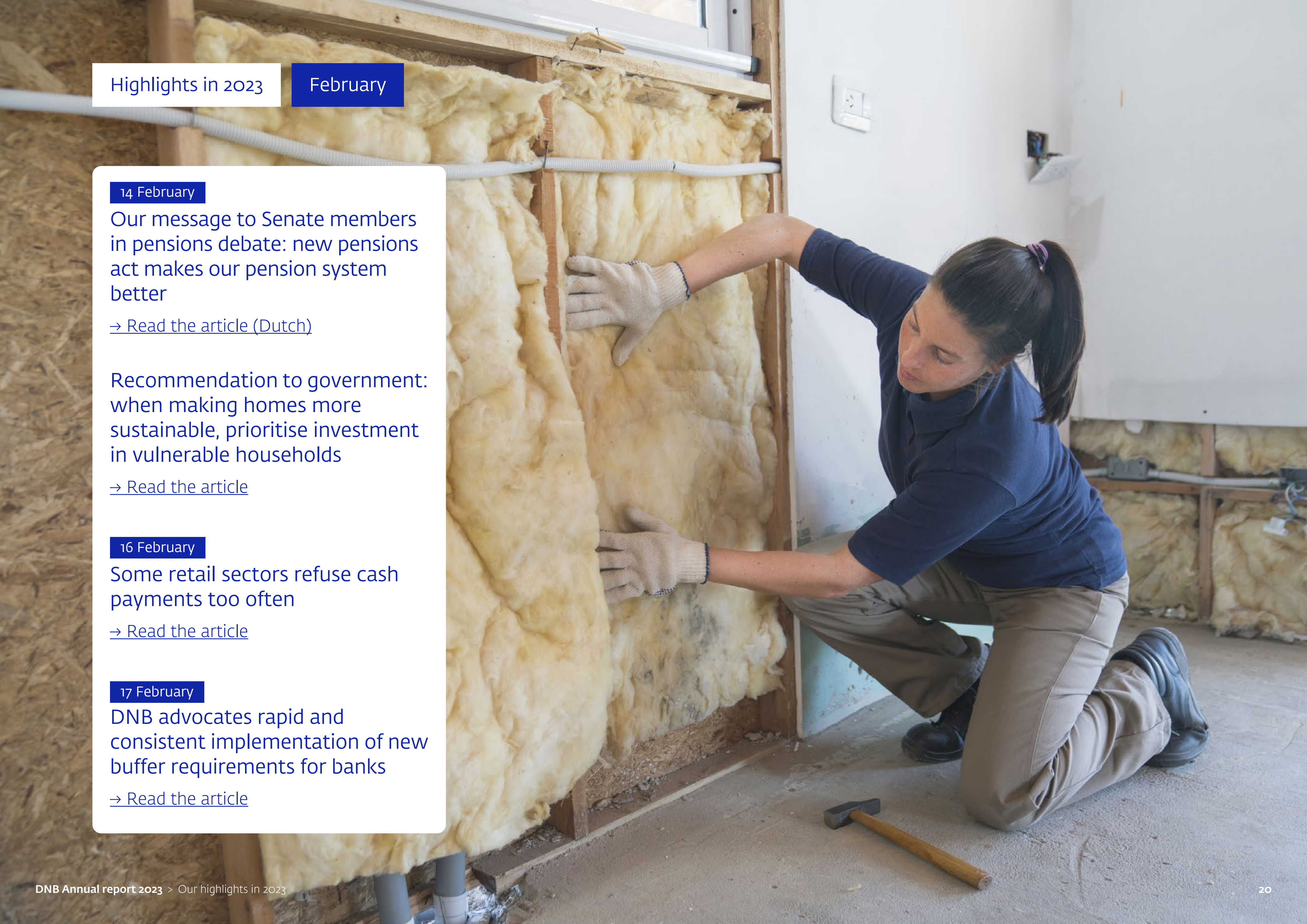
30 January

2,6 million Dutch struggle with digital banking, study by our experts finds

→ Read the article

Number of counterfeit banknotes rises sharply

→ Read the article



Highlights in 2023

February

14 February

Our message to Senate members in pensions debate: new pensions act makes our pension system better

→ Read the article (Dutch)

Recommendation to government: when making homes more sustainable, prioritise investment in vulnerable households

→ Read the article

16 February

Some retail sectors refuse cash payments too often

→ Read the article

17 February

DNB advocates rapid and consistent implementation of new buffer requirements for banks

→ Read the article

Highlights in 2023

March

2 March

How inflation reached all-time high in two years

→ Read the article

9 March

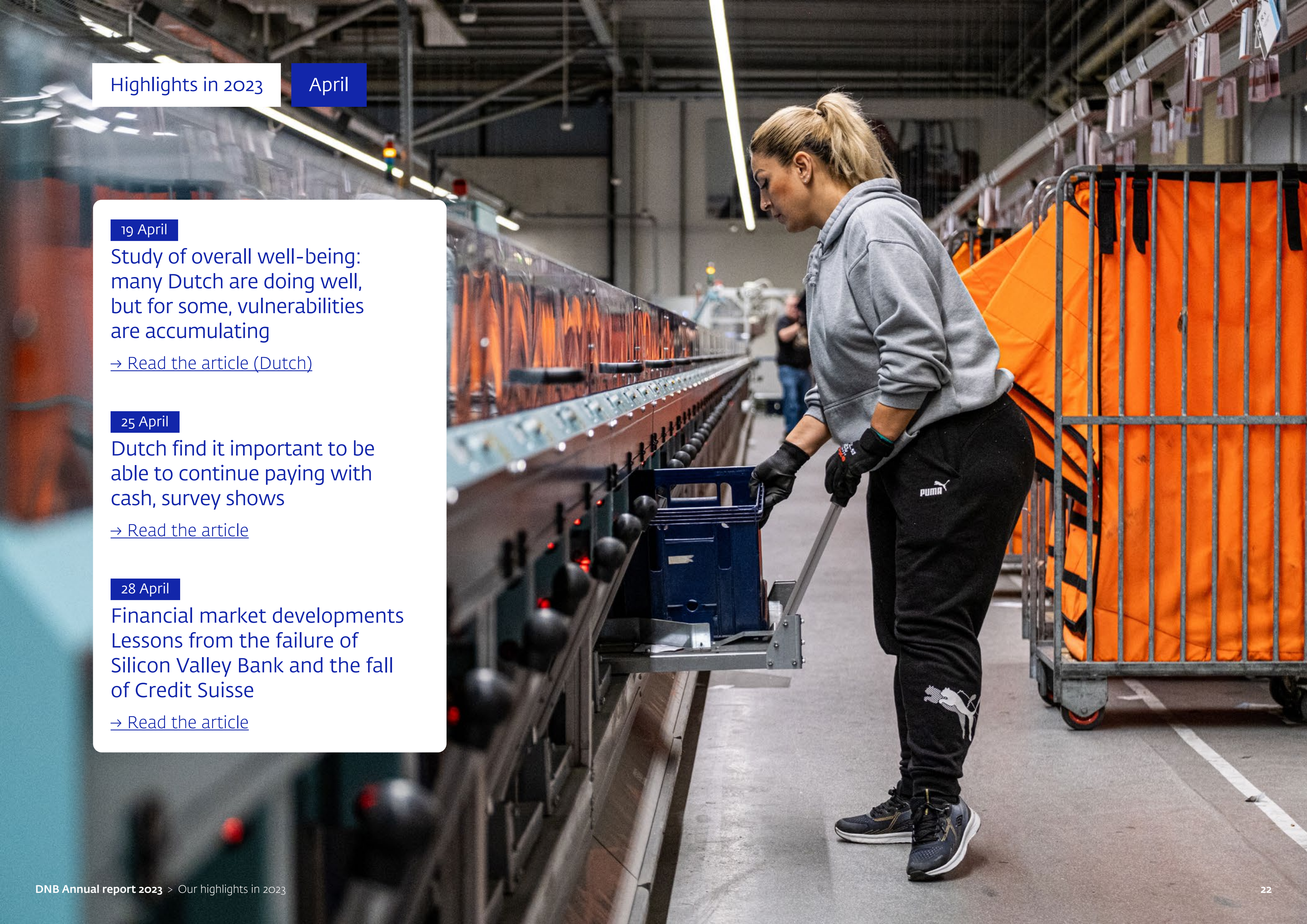
Specific recommendations and many questions at our housing market meeting

→ Read the article (Dutch)

23 March

Annual report: Dutch economy is in good shape despite global turmoil and uncertainties

→ Read the article



19 April

Study of overall well-being: many Dutch are doing well, but for some, vulnerabilities are accumulating

→ Read the article (Dutch)

25 April

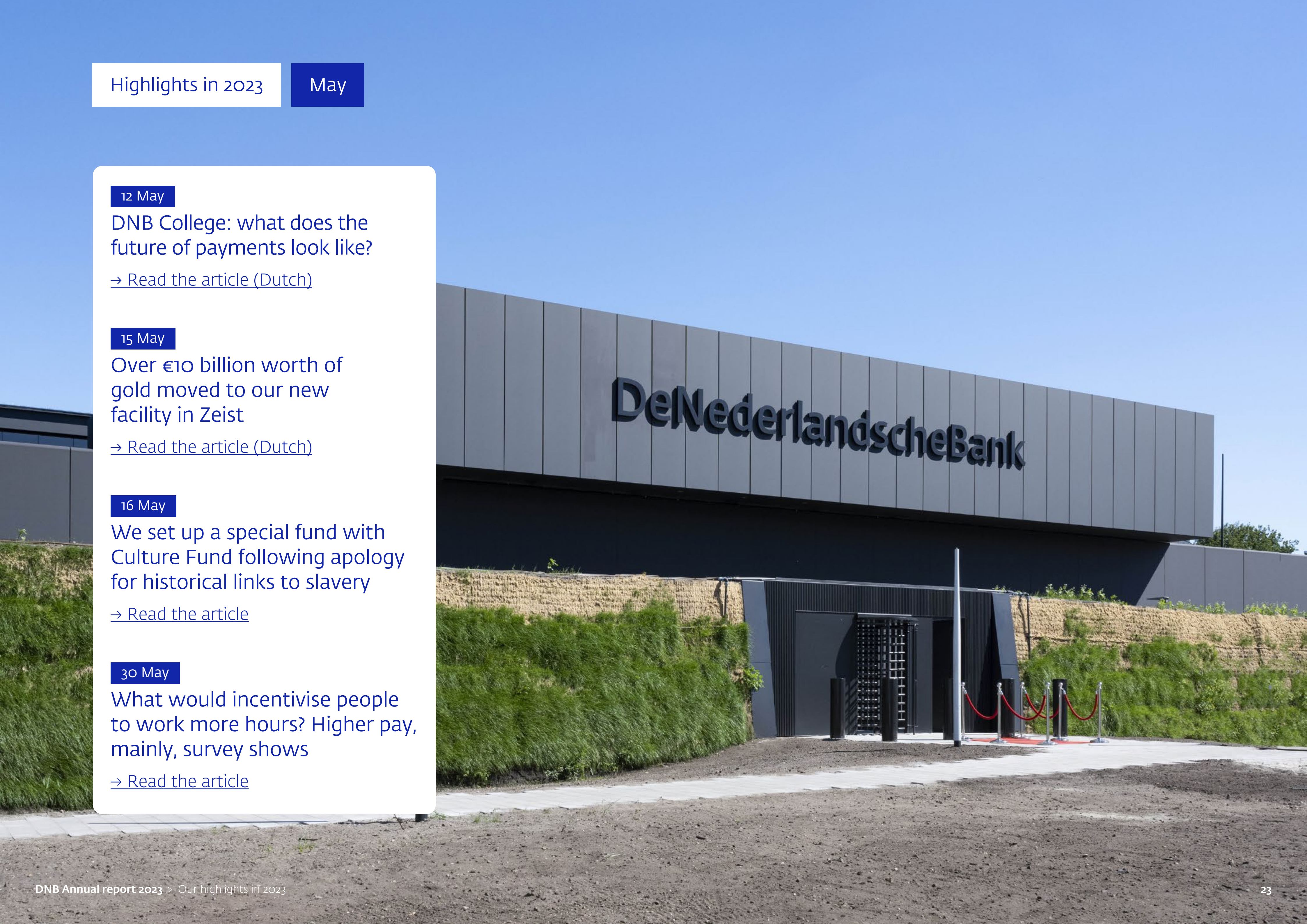
Dutch find it important to be able to continue paying with cash, survey shows

→ Read the article

28 April

Financial market developments Lessons from the failure of Silicon Valley Bank and the fall of Credit Suisse

→ Read the article



Highlights in 2023

May

12 May

DNB College: what does the future of payments look like?

→ Read the article (Dutch)

15 May

Over €10 billion worth of gold moved to our new facility in Zeist

→ Read the article (Dutch)

16 May

We set up a special fund with Culture Fund following apology for historical links to slavery

→ Read the article

30 May

What would incentivise people to work more hours? Higher pay, mainly, survey shows

→ Read the article

Highlights in 2023

June

1 June

Martin van Rijn appointed Chair of Supervisory Board

→ Read the article

7 June

Despite turmoil in banking world, Dutch banks are in good shape

→ Read the article (Dutch)

9 June

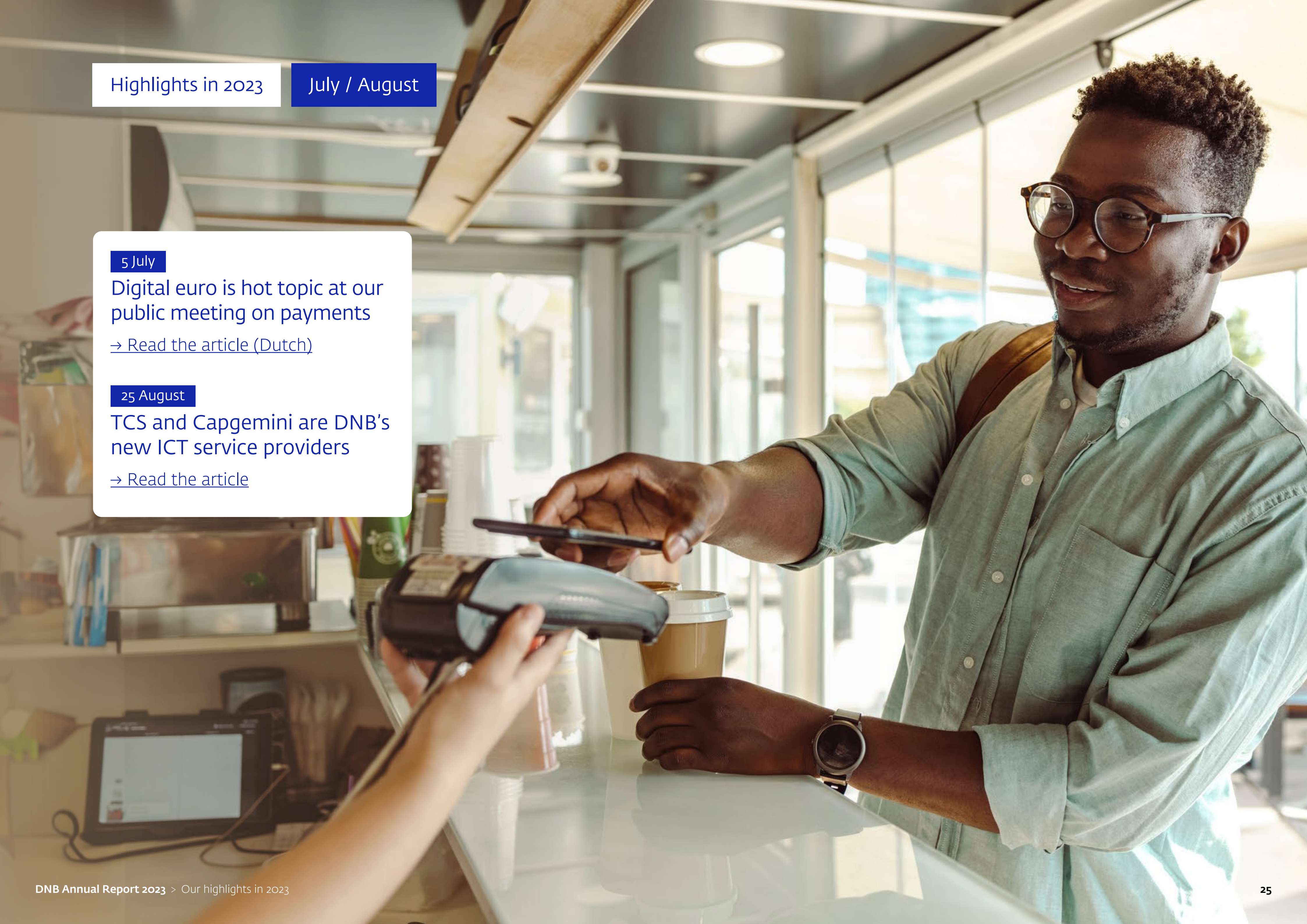
New DNB podcast 'The speed of money' goes live

→ Read the article (Dutch)

19 June

Economic growth slows, inflation remains persistent, our half-yearly projections show

→ Read the article



Highlights in 2023

July / August

5 July

Digital euro is hot topic at our public meeting on payments

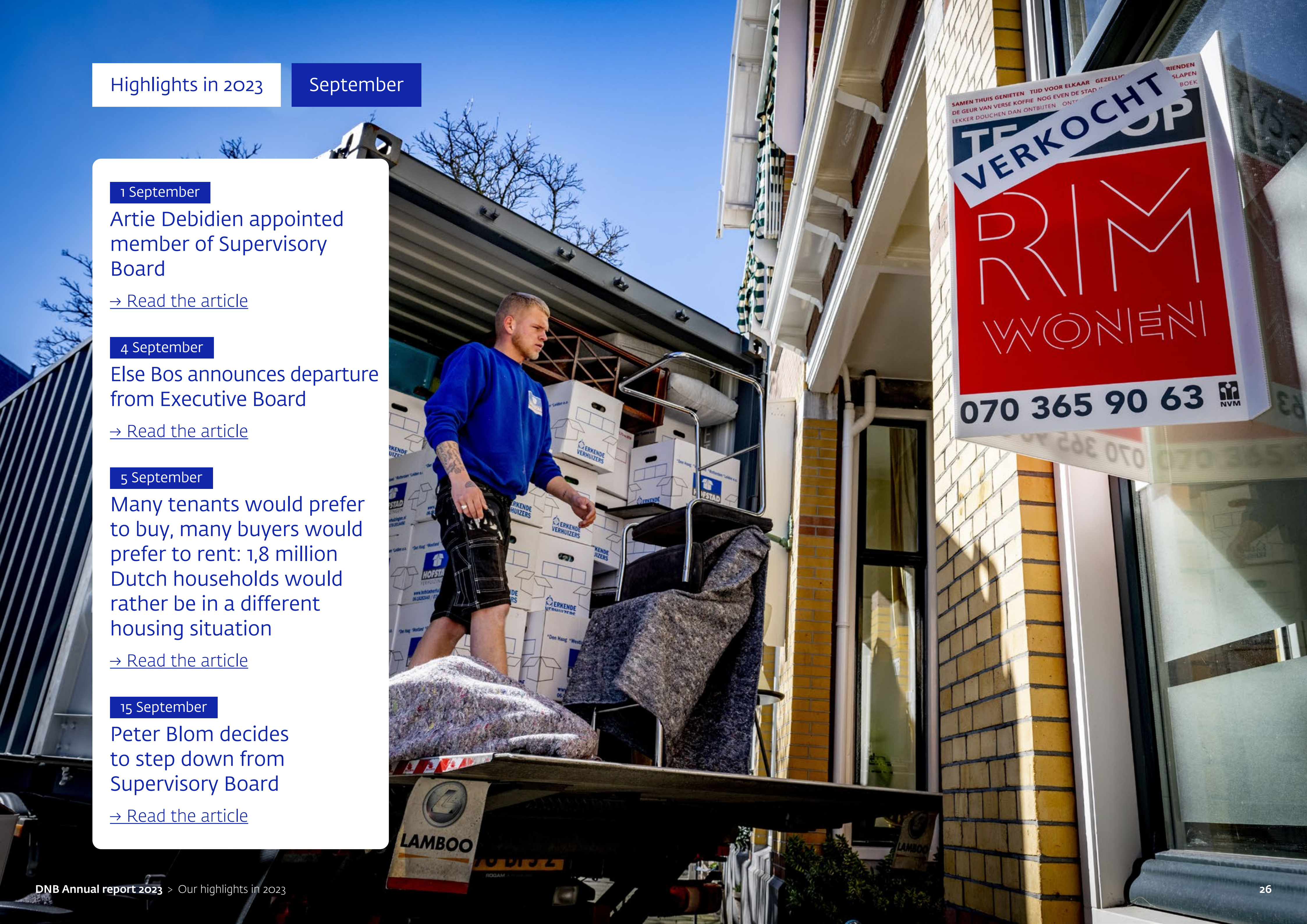
→ Read the article (Dutch)

25 August

TCS and Capgemini are DNB's new ICT service providers

→ Read the article

Highlights in 2023 | September



1 September

Artie Debidien appointed member of Supervisory Board

→ Read the article

4 September

Else Bos announces departure from Executive Board

→ Read the article

5 September

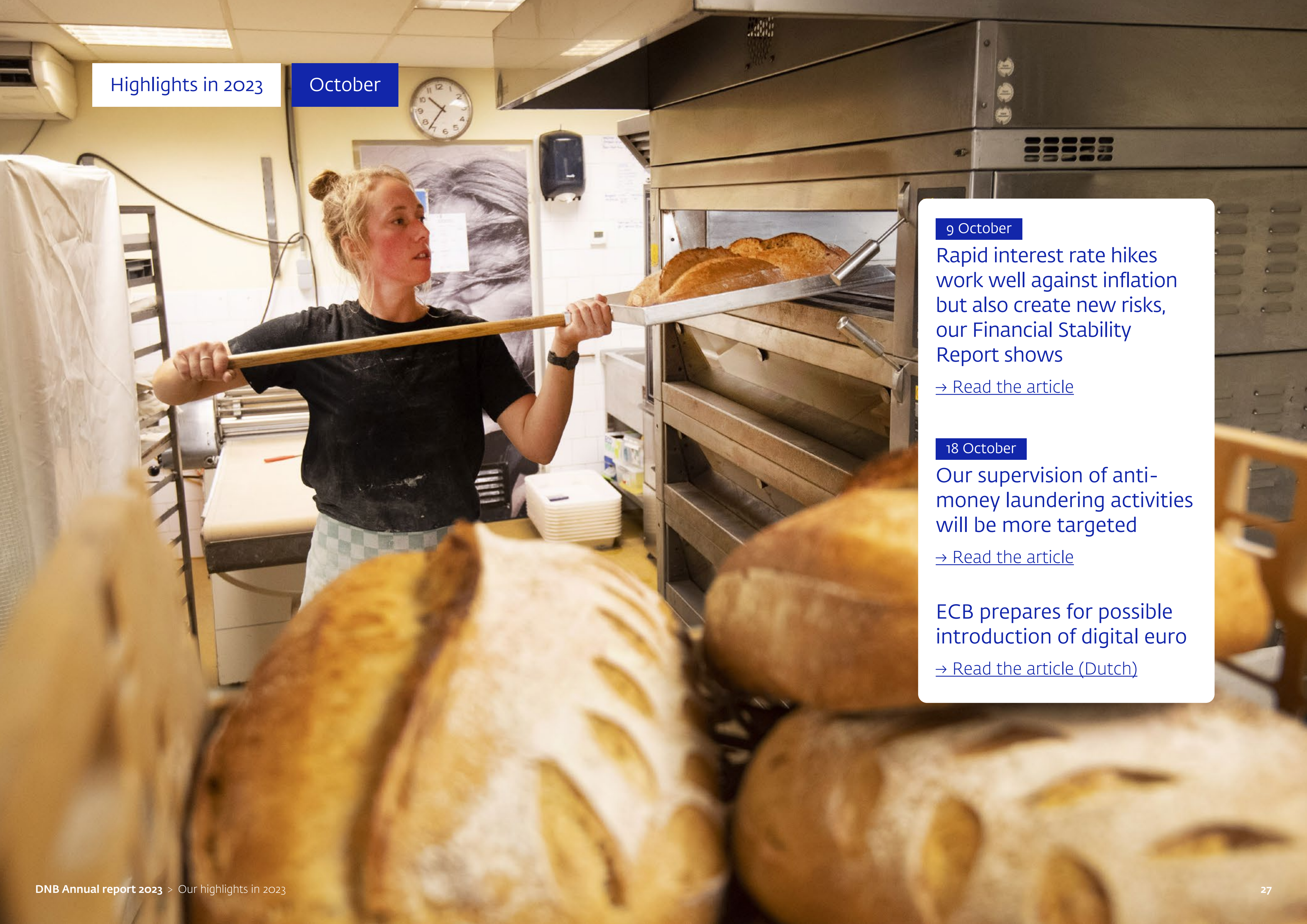
Many tenants would prefer to buy, many buyers would prefer to rent: 1,8 million Dutch households would rather be in a different housing situation

→ Read the article

15 September

Peter Blom decides to step down from Supervisory Board

→ Read the article



Highlights in 2023 | October

9 October

Rapid interest rate hikes work well against inflation but also create new risks, our Financial Stability Report shows

→ Read the article

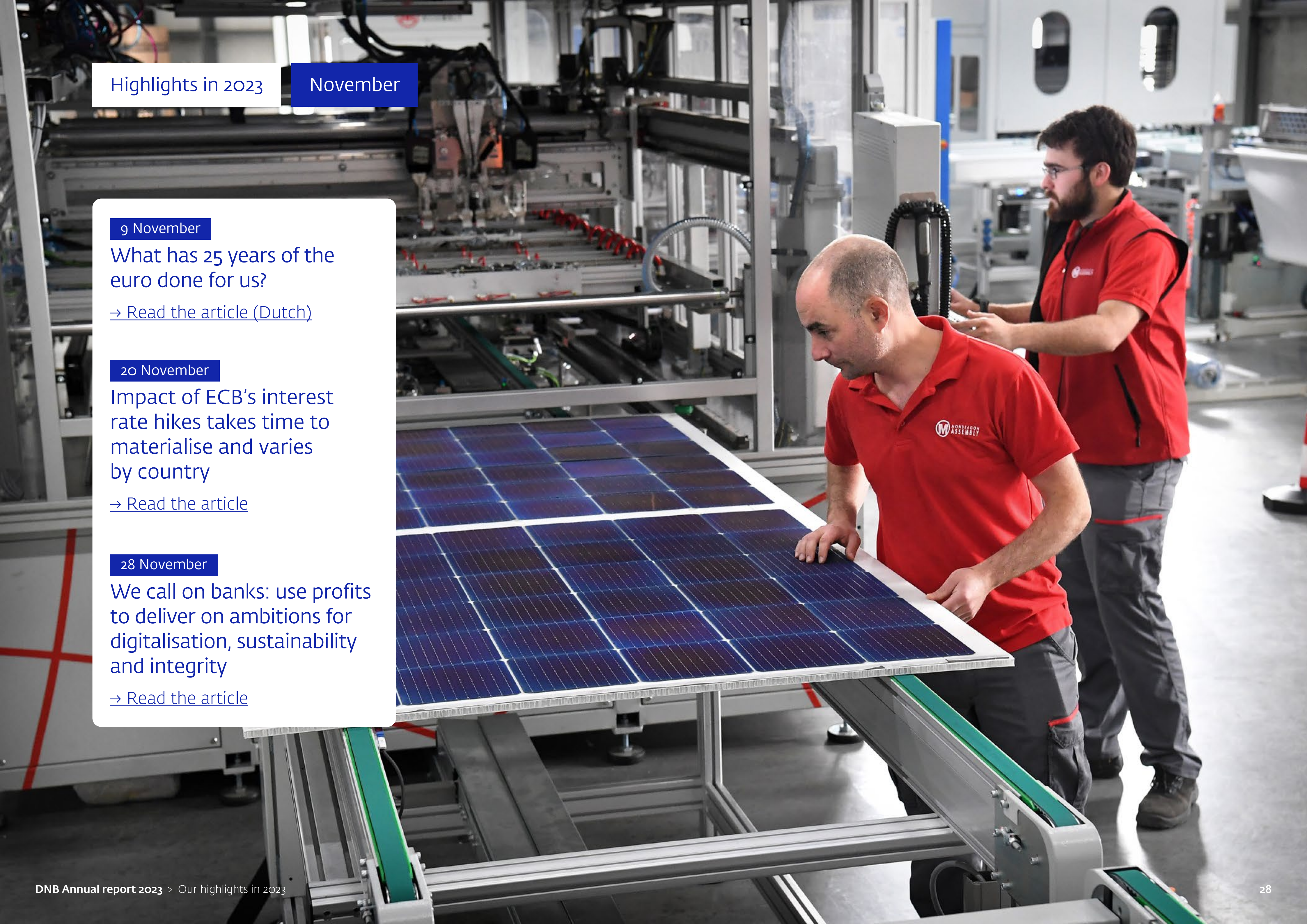
18 October

Our supervision of anti-money laundering activities will be more targeted

→ Read the article

ECB prepares for possible introduction of digital euro

→ Read the article (Dutch)



Highlights in 2023

November

9 November

What has 25 years of the euro done for us?

→ Read the article (Dutch)

20 November

Impact of ECB's interest rate hikes takes time to materialise and varies by country

→ Read the article

28 November

We call on banks: use profits to deliver on ambitions for digitalisation, sustainability and integrity

→ Read the article

Highlights in 2023 | December

6 December

Our own-account investments in line with Paris Climate Agreement

→ Read the article (Dutch)

Dutch households are putting more and more money in bank accounts abroad

→ Read the article

7 December

Family mortgage loans are popular but could drive up house prices even further

→ Read the article (Dutch)

DNB signs Declaration of Amsterdam on LGBTIQ+ inclusion

→ Read the article (Dutch)

18 December

Half-yearly economic projections: inflation falls and economic growth stalls due to ECB interest rate policy and slump in global trade

→ Read the article

20 December

DNB College: the role of banks in society

→ Read the article (Dutch)

22 December

We make new arrangements with the Dutch State on our losses

→ Read the article (Dutch)

Accountability

Introduction

Our mission is to maintain sustainable prosperity. This task is shared by a wide range of institutions and other organisations, each making its own contribution. We contribute by safeguarding monetary and financial stability, and by ensuring sound and ethical financial institutions. These are essential conditions for healthy economic development for the benefit of all, including future generations.

In this chapter, we explain how DNB made its contribution in 2023: what has been achieved, what is still to be done and what objectives have been reprioritised. We provide accountability based on the six strategic objectives set in DNB2025. This change strategy, which has been in place since 2020, explains how DNB, as the guardian of financial stability in the Netherlands, addresses the challenges it faces in its field of work.

Developments in 2023

Geopolitical environment

The geopolitical environment is tense and fraught with economic risks. The war in Ukraine, a spiral of violence in the Middle East and tensions between the United States and China are signs of a divided global order that is no longer characterised by the pursuit of global cooperation and economic integration – the main drivers of economic prosperity and low inflation until relatively recently. Russia's war against Ukraine led to a sharp rise in inflation, particularly in Europe, compounding the effect of the upward price pressure caused by disruptions in the international supply chain during the COVID-19 pandemic. In the context of a somewhat weakened globalisation trend, as illustrated by Brexit and increasingly protectionist trade policies, this has shown that the global economy is not without certain vulnerabilities. All in all, the risks and drawbacks associated with economic fragmentation are manifest.

Inflation and higher interest rates

Looking at recent developments close to home, inflation and the associated changing interest rate environment stand out the most. Since the summer of 2022, the ECB has raised interest rates by a total of 4.5 percentage points to 4% in September 2023 – a very rapid implementation of monetary tightening by historical standards. The effects of these interest rate increases are beginning to show: although inflation is still too high, it has slowed down. The outlook is also favourable, with inflation expected to return to 2% in 2025. The changed interest rate environment has led to a different economic picture in other areas as well, for instance exposing certain vulnerabilities in the financial sector, particularly in the United States and Switzerland. But the new interest rate environment is also affecting DNB itself: the interest rate hikes mean that many of the central banks that have tightened their monetary policy are now facing substantial losses, and will have to continue to do so in the coming years. While rising interest rates tend to benefit banks, insurers and pension funds, the transition to tighter monetary conditions comes with risks for them too. For example, they are now grappling with growing interest rate and credit risks, mainly due to higher refinancing costs and the reduced repayment capacity of businesses. Finally, the rising interest rates also limit governments' fiscal space.

Trust in the financial sector

Trust in politics continues to erode, while confidence in financial institutions remains stable. Trust in politics, which was already low, continues to erode. Meanwhile, the financial sector appears to be bucking this trend, according to the annual DNB trust survey. According to this study, confidence in DNB has remained stable compared to spring 2022.

Climate change and nature loss

The consequences of climate change and nature loss are beginning to affect our daily lives. As higher temperatures are recorded around the world, there has been an increase in extreme weather events, of which there were many examples in 2023. The financial loss resulting from this extreme weather could have a significant impact on financial institutions, testifying to the urgency of accelerating the energy transition. This places high demands on the sector's risk management. For example, financial institutions are vulnerable if they are not sufficiently aware of the potential loss in value of investments in, or loans to, companies that are not making sufficient progress in transitioning to climate neutral operations.

Cyberthreats

Cyberthreats are still a daily concern, and Dutch financial institutions must remain vigilant against attacks. Over the course of 2023, Dutch financial institutions experienced an increase in DDoS attacks. The same was true for DNB and other central banks. The impact of these attacks has so far remained limited, partly due to the resilience of financial institutions. Cybersecurity remains high on our agenda.

The potential of AI

Like every other institution, DNB is assessing the opportunities and risks associated with AI. Together with the AFM, we are developing a strategy on how AI can be used responsibly by financial institutions and how to organise its supervision. It is clear, however, that DNB and the AFM will have to take on additional supervisory tasks. AI can also be a useful tool for supervision itself – in addition to supervision of AI, there will also be supervision with AI.

Social value creation

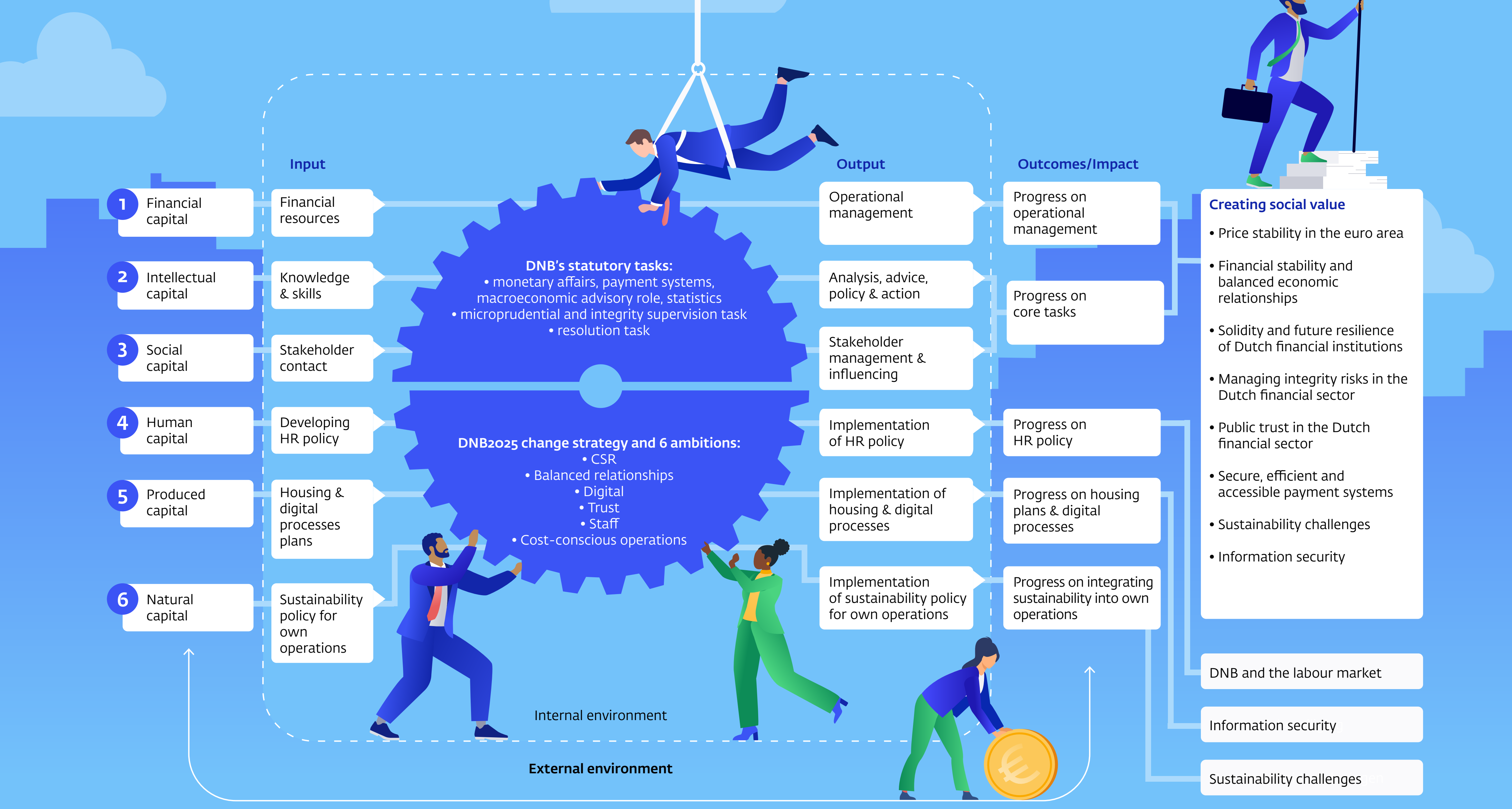
Financial stability is the focus of our core tasks. Our monetary policy, the work we do for the payment systems, our supervision and our resolution activities are all crucial to ensuring financial stability. More specifically, we have an impact on our material themes (see also Annex 2, Table 6), which are largely related to our core tasks. These include price stability in the euro area, balanced economic relationships, sound, future-proof and ethical financial institutions, and robust and accessible payment systems. In short, we strive to ensure that the financial sector enjoys public confidence in all respects.

The value creation model below attempts to shed light on the relationship between the resources at our disposal – ranging from financial capital (funds) to intellectual capital (our specific knowledge and expertise) and social capital (our contacts with stakeholders) – how we use these resources (output) and the impact (outcome) we intend to achieve. This intended impact, in turn, is closely related to the various material themes where we would like to make a difference. While most of these relate to our core tasks, aspects that are more preconditional, such as our position in the labour market, are equally important – and therefore material.
This chapter is structured as follows: the impact we want to achieve with our intellectual and social capital largely overlaps with our core tasks and is therefore discussed under Balanced conditions, Trust and CSR. Aspects related to the soundness of our operational management are addressed under Digital, Staff and Cost-conscious.

Figure 1 Value creation model: the route to impact

Value creation model

Click on the boxes for more information



Balanced relationships

Ambition 2020-2025	Progress in 2023	Actions in 2024
By 2025, domestic and international economic relationships will be more balanced, thanks in part to our efforts. Balanced economic relationships are a prerequisite for price and financial stability, and they contribute to sustainable prosperity. Rebalancing is necessary following the financial crisis of 2008, the European sovereign debt crisis and the COVID-19 pandemic.	■ Proactively contributed to the ECB's monetary policy tightening by providing new scientific insights and through active stakeholder management ■ Informed by analyses, actively interacted with stakeholders (government, departments, media, umbrella organisations, etc.) on matters related to pensions, the labour and housing markets, public finances and sustainability (see CSR section) ■ Preliminary Basel 3 accord is not in line with our objectives ■ As FSB Chair, helped put vulnerabilities related to climate change, cryptos and shadow banks on the agenda ■ Ready to handle first conversion requests from pension funds	■ Proactively offer advice on political issues ■ Further improve tools that support macroprudential analyses (stress tests, scenario analyses) ■ Ensure the accessibility of cash in line with the ambitions we share with the Ministry of Finance ■ Implement digital euro project as planned ■ Implement New Pension Contract programme as planned

Business cycle

The year under review was marked by further interest rate hikes, rising wages, lower – but still high – inflation rates and a marked economic slowdown following a period of strong post-pandemic catch-up growth. For more details, see the President's Report, for example the first section, "Dutch economy still running above capacity despite low growth; inflation receding".

Price stability in the euro area

We have proactively contributed to the discussion about a further tightening of the ECB's monetary policy. As a member of the ECB Governing Council, DNB President Klaas Knot had a voice in setting the policy that was ultimately pursued, which we supported. To build support for our views, we intensified our contact with the ECB and other euro area central banks in 2023, including through working visits and the organisation of workshops on inflation and monetary policy. In meetings, DNB representatives made more use of model-based analyses to support their arguments. In addition, President Knot presented his vision in speeches, panel discussions and various interviews with international media.

DNB analyses

Recognising that controlled wage and profit development are essential for price stability, we conducted a large number of analyses in this area. The results of these analyses were shared with employers' organisations and trade unions (the so-called social partners), explained in parliamentary hearings and interviews, and discussed with the ECB and IMF. Our analysis of the contribution of profits and wages to inflation was an important starting point. We also devoted a great deal of attention to intensifying our relationships with various social partners, including FNV, VNO-NCW and AWVN.

Monitoring of collective wage developments

In 2023, we did not manage to automate the monitoring of collective wage developments. This is still done on an ad hoc basis. Another goal was to start actively monitoring international labour market data, for instance by using a dashboard. This plan has not yet been implemented.

Financial stability and balanced economic relationships

A DNB study on the housing market showed that well-intentioned measures to help first-time buyers are ineffective. In our analysis of the relationship between borrowing capacity and house prices, we showed that Dutch house prices are mainly determined by households' spending capacity. In terms of policy, this means that first-time homebuyers have not benefited from well-intentioned support measures – such as increasing the maximum borrowing capacity and introducing additional tax subsidies – as there is a direct relationship between increased borrowing capacity and higher prices. The Minister of Housing used the results of this analysis in a letter to the House of Representatives.

Policy advice on housing development

We did not propose any new policy measures to fix the housing market in the year under review. Addressing this issue will be one of our challenges in 2024. Stakeholders in the policy debate have a strong need for analysis and advice with regard to the supply side of the housing market, as evidenced by the ongoing interministerial policy study on housing development and land. So far, we have mainly focused on measures aimed at the demand side of the housing market, as this is where most of our expertise lies. For 2024, we identified housing development as one of the main themes in our work plan.

New coalition agreement

As with the housing market, the key question regarding our views on public finances is whether our recommendations will be reflected in the new cabinet's coalition agreement. The outlook is not promising. None of the parties that had the costs of their plans calculated by the CPB intend to follow the recommendation of the Fiscal Space Working Group, whose members included DNB Executive Board member Olaf Sleijpen, to reduce the budget deficit to 2%. We have repeatedly argued for this, but – for the time being – to no avail. The budget deficit will be substantially higher in the long term as interest payments and spending on population ageing, healthcare and climate change increase. Without a change in policy, the deficit is projected to increase from -0.9% in 2023 to -2.6% in 2024 and -2.9% in 2025.

Vulnerabilities in the financial sector

The rise in interest rates has not only left its mark on the real economy, but also exposed vulnerabilities in the financial sector, particularly in the United States and Switzerland. The interest rate hikes caused major problems for a number of banks. Two US regional banks had to be bailed out in March 2023, partly because they were insufficiently prepared for a rapid rise in interest rates. While these were largely isolated events, they highlighted how local problems can undermine confidence across the financial sector, as investors begin to look for other weak links. This mainly affected Credit Suisse, a long-troubled systemically important bank that had to be taken over by UBS, causing temporary turmoil in the financial markets and raising concerns about the health of the banking sector. In our Financial Stability Report, we noted that these events underlined the importance of a wider application of global supervisory standards, as problems at small and medium-sized banks can trigger a global chain reaction.

Interest rate and credit risks

The Dutch financial sector is resilient enough to absorb interest rate and credit risks, but vigilance remains necessary. Although the Dutch financial sector is highly resilient (see the Trust section) – and despite the rapid rise in interest rates, which is mostly favourable for the sector – it still faces certain risks. Interest rate and credit risks for banks are rising in particular. In the autumn of 2023, we pointed out that banks are vulnerable in this respect and that they should take these risks into account in their capital policies. Specifically, we drew attention to the fact that Dutch banks, insurers and pension funds have a combined exposure of €360 billion to the commercial real estate market. Seeing as this market is under pressure due to the higher interest rates, higher credit risks and further price corrections have to be taken into account here too.

Higher buffers

We recalibrated the capital buffers for banks, resulting in slight increases across the board. For example, we decided to increase the countercyclical capital buffer (CCyB) from 1% to 2%. This level is consistent with a standard risk environment in which cyclical risks range from “normal” to “elevated”. By raising this buffer, banks will be able to absorb shocks without immediately having to restrict their lending activities in the event of an economic downturn. We have also adjusted the buffers for other systemically important banks (the O-SII buffers). The new buffer requirements are slightly lower, as the systemic risk for banks has decreased. This can be attributed to the fact that the banking sector has come to represent a significantly lower percentage of Dutch GDP in recent years. Although the impact of the recalibrated buffer requirements is different for each bank, the combined effect of these measures is a slight increase in the capital requirements for the banking sector as a whole. The new requirements will apply from 31 May 2024.

European supervisory regime

The European supervisory regime for banks, as set out in the preliminary Basel III Accord, deviates in some respects from what we consider desirable and necessary. Our attempts to influence the Basel III Accord debate in Europe have not led to the desired outcome, namely the full implementation of the global agreements. We expressed our views in a DNBulletin in early 2023. While a provisional accord was reached in the EU at the end of June 2023, this does not provide for the desired full, consistent and timely implementation of the agreements. One of the biggest deviations is that the capital floor for internal models will only become applicable to major loan portfolios after a lengthy transition period. As a result, it will take longer for banks to raise their buffers.

Financial Stability Board (FSB) recommendations

The policy agenda of the Financial Stability Board (FSB), chaired by DNB President Klaas Knot, covered a wide range of topics in 2023, with the banking sector being a pressing issue in the first quarter. Following the containment of the banking crisis in the spring of 2023, the FSB drew lessons for the resolution framework, which it set out in a report. It concluded, for instance, that resolution authorities must be prepared for bank runs developing faster than ever before as a result of digitalisation. The FSB also focused on vulnerabilities related to climate change and crypto-assets. Since the use of cryptos is not bound by national borders, international harmonisation of crypto supervision and regulations is required. To promote such harmonisation, an FSB working group chaired by DNB Executive Board Member Steven Maijoor published its findings in 2023, outlining the global minimum standards for crypto supervision. With regard to climate change, 2023 saw the publication of another progress report on the FSB’s efforts to address climate risks.

Introduction of the new pension system

In our role as supervisory authority and economic adviser, we were closely involved in the finalisation of the parliamentary process that led to the introduction of the Future of Pensions Act on 1 July 2023, the first step towards a new pension system. In addition to regular consultations with the Ministry of Social Affairs and Employment, we participated in the parliamentary steering committee supervising the project and contributed to expert meetings in the Senate. We also joined the interministerial policy study on pension accrual. In our role as supervisor, we published supervisory regulations, Q&As, fact sheets and good practices to give institutions a better understanding of what supervision will look like during the transition phase, and to let them know what they can expect from us once the system has been introduced. We also organised a pension seminar on the transition phase and conducted several studies to gain insight into the pension funds' preparations. On 1 July 2023, we were ready to receive and assess the first conversion reports.

Smooth operation of payment systems

As digitalisation continues, banks are improving the accessibility of payment systems. Our research shows that certain groups of bank customers find it difficult to access digital services. More than one in six adults in the Netherlands – mostly vulnerable people – are unable to manage their banking affairs on their own. In response to these findings, banks reinforced their commitment to ensuring accessibility in January 2023. The National Forum on the Payment System (NFPS) has agreed that by 2026 the overall satisfaction rate for day-to-day banking matters of vulnerable bank customers should be close to the average overall satisfaction rate: the difference between the two should be no more than 0.1.

> 'We shared the results of our analyses with social partners and explained them in parliamentary hearings and interviews.'

Development of the digital euro

In 2023, we worked with the other Eurosystem central banks and the ECB to continue research into the digital euro, which should ensure public access to central bank money in the future. We contributed to the ECB's digital euro project, including through the ECB's High-Level Task Force and underlying working groups. Our goal is to ensure that the digital euro has the same characteristics as cash: a digital banknote that can be used alongside other retail payment methods. In October, the Governing Council of the ECB – following the completion of the investigation phase – decided to start the first part of the preparatory phase, which is expected to last two years. This does not mean that the digital euro will actually be introduced, as this is ultimately a political decision. We engaged various stakeholders in 2023, including through a dedicated NFPS task force on the digital euro, two Digital Euro Meets the Dutch Experts events, and bilateral discussions with various stakeholders. Regular meetings were also held with the reporting entities of the House of Representatives and with the Ministry of Finance.

Cash

To avoid further limiting the accessibility of payment systems for some people in the Netherlands, DNB and stakeholders in the NFPS have made agreements to safeguard the Netherlands' cash infrastructure, laid down in the so-called Cash Covenant. During the year under review, we also devoted significant resources to the development of a legal basis for the covenant, which will soon be submitted for consultation.

Technology in payment and securities systems

In 2023, we continued our efforts to identify the benefits and risks of new technological developments in payment and securities systems. Although the last several years were characterised by a proliferation of unsecured cryptos and a lack of up-to-date laws and regulations, both traditional and new players are now mainly looking for application areas for stablecoins and distributed ledger technology (DLT). This is partly due to new laws and regulations, such as the Markets in Crypto-Assets Regulation (MiCAR). Together with other Eurosystem central banks and as a member of various international bodies, we analysed the opportunities and risks of stablecoins and DLT applications.

More future-proof payment systems

Together with the Eurosystem, we completed a project to make the payment system more future-proof. In early 2023, the wholesale payment system was successfully migrated from TARGET2 to the new platform, T2. T2 is the Eurosystem's wholesale payment system that enables some 1,600 central and commercial banks in the euro area to make payments to one another in real time. It processes an average number of 400,000 daily transactions, with a combined value of €2,200 billion. The migration has made it even easier for member institutions to send and receive payments, while the payment system has also become more efficient and secure.

User ratings of statistics

Users rate our financial and economic statistics higher than two years ago. A user survey shows that the average rating of our statistics increased from 6.7 in 2021 to 7.3 in 2023. Users value the reliability, timeliness and user-friendliness of the statistics we provide. However, they would like to be able to download data automatically via an API (application programming interface). This option will become available to the general public in 2024.

Visitors to statistics pages

Our statistics pages attracted more visitors in 2023, partly thanks to new dashboards on sustainability in the financial sector and pension funds' macroeconomic statistics. These new dashboards have helped to increase the number of visitors to the statistics on our website, from 16,000 monthly visitors in 2022 to an average of 18,000 in 2023.

Trust

Trust Ambition 2020-2025

Our efforts have made a recognised contribution to public trust in financial institutions in the Netherlands.

Public trust in financial institutions is an essential precondition for the functioning of the financial system, which in turn is essential for the sustainable development of the real economy.

Progress in 2023

- The financial sector's cyber resilience remains unsatisfactory
- Based on various round-tables with the sector, the gatekeeper guidelines were reviewed and submitted for consultation
- Published study on banks' business models ("Banking today: navigating a new reality")
- Updated and elaborated resolution plans for banks and insurers
- Trust in financial sector remained stable; DNB achieved higher reputation score

Actions in 2024

- 100% of institutions meet regulatory capital and liquidity requirements as a result of our supervision
- Our supervisory communication ensures that more than 90% of stakeholders say it is clear to them which risks our supervisory actions focus on
- Increase transparency about supervision and allocation of resources by publishing supervisory priorities
- Our actions and communications earn us a "very good" reputation score (>60) among financial stakeholders and a "good" reputation score (>50) among the general public

Public trust in the Dutch financial sector

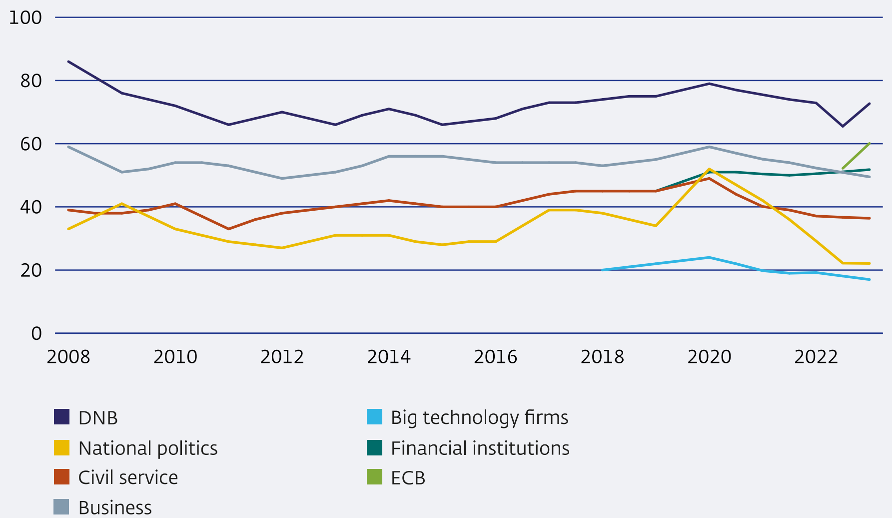
Dutch households' confidence in financial institutions stood at almost the same level in 2023 as in the previous year, according to our annual trust survey. In spring 2023, 52% of respondents said they had a fairly high or very high level of trust in financial institutions (see Figure 2), up from 51% a year earlier. The survey further shows that 62% of respondents are completely or mostly confident that pension funds are able to meet their commitments to pensioners (see Figure 3). When it comes to banks and insurers, 68% of respondents are confident that they can meet their payment obligations. These percentages are similar to the 2022 results. Confidence in DNB was at the same level in 2023 as the year before, with 73% of respondents saying they had a fairly high or very high level of trust in DNB (see Figure 2). In the autumn of 2022, there was a brief dip in public confidence in DNB: only 66% of respondents had a fairly high or very high level of trust in DNB. Our research shows that this dip was partly caused by the record high inflation at the time of the survey.

Confidence in the payment systems

Confidence in the payment systems remained high in 2023, according to data from DNB and the Dutch Payments Association. In September 2023, 72% of respondents said they had a high or very high level of confidence in the Dutch payment systems, while 2% said they had little or very little confidence, compared to 71% and 3% in September 2022. Furthermore, the DNB survey Towards financial inclusion: trust in banks' payment services among groups at risk shows that trust in the payment systems is lower among people with underdeveloped digital skills, people who are struggling to make ends meet and people with physical disabilities. Respondents who reported low levels of trust cited their dissatisfaction with banks' policies and the costs of banking services, disruptions in the payment systems and the digitalisation of payment services.

Figure 2 Public trust in financial institutions remains stable

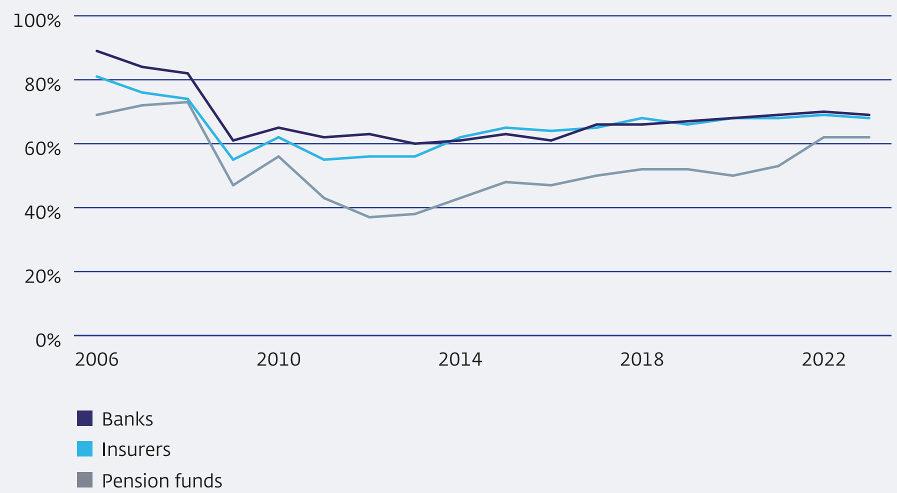
Share of respondents reporting fairly high or very high trust



Public trust in financial institutions reflects the average level of trust in banks, insurers and pension funds. Trust is measured once a year. In an additional survey, held in autumn 2022, trust in DNB, the ECB and national politics was measured. The results of this survey have been included in this figure.

Figure 3 Trust in financial sector analysed

Share of respondents who are mostly or completely confident



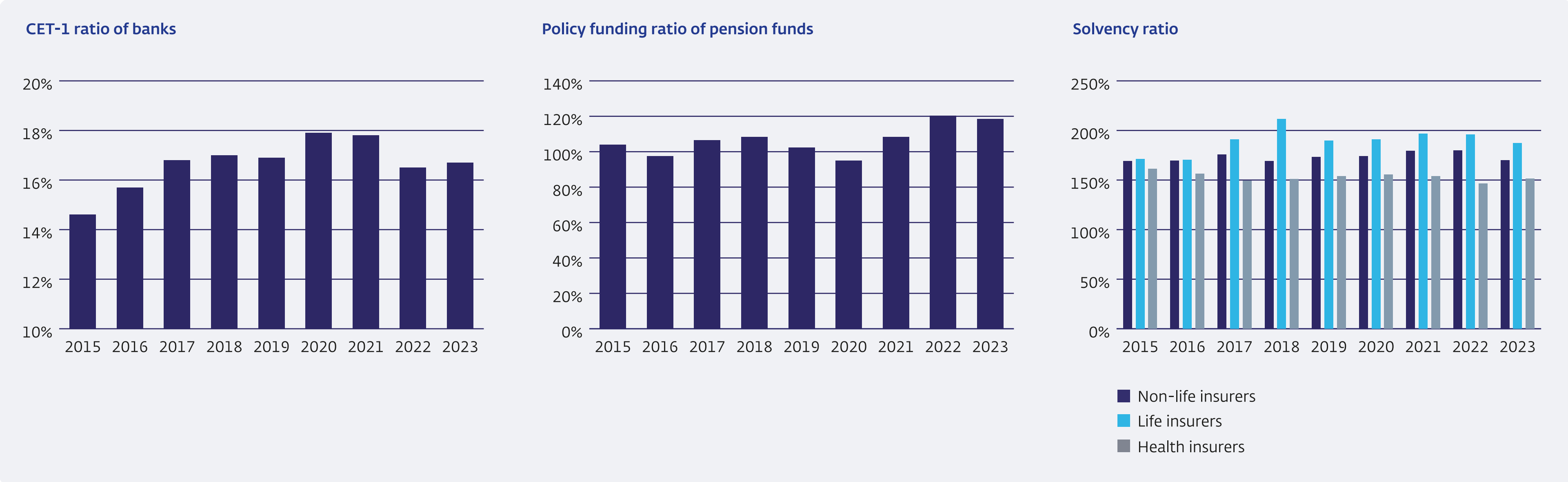
DNB's reputation

Our reputation score among the general public was slightly higher in 2023 than in the year before. According to a survey conducted by an external research firm, the index for 2023 came to 58, up from 56 in 2022. A clear explanation for this increase has not been provided. In the scoring system used, a result between 50 and 65 suggests a "good" reputation. From 2017 to 2020, the index exceeded 60 every year.

> 'Although the Dutch financial sector is highly resilient, banks are facing increasing interest rate and credit risks.'

Solidity and future resilience of Dutch financial institutions

Figures 4, 5, 6 Banks, insurers and pension funds are robust



The financial sector appears to be highly resilient. Dutch banks are in good financial health, as evidenced by their average core capital ratio of approximately 17% (see Figure 4). Following DNB's buffer recalibration, there was a slight increase in banks' resilience in 2023 (see also the "Balanced relationships" section). The average solvency ratio of Dutch insurers is well above the requirements as well (see Figure 6). There was no further decline in the solvency of health insurers in 2023, partly due to the fact that they relied less on their reserves to compensate for healthcare costs, instead raising their premiums to more cost-covering levels. Over the past two years, the funding ratio of pension funds (see Figure 5) has greatly improved due to the higher interest rates.

Integrity risks in the Dutch financial sector

While the financial sector shows an improved prudential risk profile, the management of integrity risks requires attention. According to the risk ratings we use in our supervision, the financial sector is doing significantly better at managing prudential risks than integrity risks (see Supervision in focus and Figure 3). This calls for improvements, particularly in the case of institutions that could have a major impact on trust in the sector if they were to falter. Our integrity supervisors took more enforcement action in 2023 than in the previous year: while a total of 17 measures were taken in 2022, 28 actions were taken in the year under review, ranging from compliance briefings to instructions and fines.

Dialogue on gatekeeper role

In 2023, we continued our round-table discussions with banks on how to effectively and efficiently combat financial crime. This dialogue is part of our new, risk-based supervisory approach, which offers more room for innovative applications, such as machine learning and electronic identification. Amid growing public criticism of the measures taken by banks, it is also important to ensure a good balance between the gatekeeper role fulfilled by financial institutions and the accessibility of financial services. Based on our discussions with the banks and the standards developed by the Dutch Banking Association, we prepared a revised version of the Guidance on the Anti-Money Laundering and Anti-Terrorist Financing Act (Wet ter voorkoming van witwassen en financiering van terrorisme – Wwft) and submitted it for consultation in the autumn in the form of Q&As and Good Practices. Our aim is to provide financial institutions more clarity on how to comply with the law.

> ‘The last several years were characterised by a proliferation of unsecured cryptos and a lack of up-to-date laws and regulations.’

Combating illegal market activities

We intensified our efforts to combat illegal market activities, prompted in part by the evaluation conducted by the Financial Action Task Force (FATF). Based on the outcome of this evaluation, more capacity has been allocated to enforcement action against unregistered crypto service providers and unlicensed trust service providers. In 2023, we imposed an administrative fine on Coinbase Europe Limited for providing crypto services without registration, and several other unregistered crypto service providers decided to cease their activities in the Netherlands, including Binance and Gemini. We work closely with other supervisors and investigative authorities to combat illegal market activities, including through the Financial Expertise Centre (FEC).

European cooperation

We will continue to promote increased European cooperation to combat money laundering and terrorist financing, and we support the establishment of a dedicated European supervisory authority in this area. Preparations for new European legislation to combat money laundering and terrorist financing and the establishment of a European supervisory authority (AMLA) are ongoing. We contribute to these processes through our participation in the European Banking Authority (EBA). The new supervisory regime is expected to enter into force in 2026, which is also when the new supervisor will take on its pivotal role.

Information security

Despite the increased cyberthreat, we find that the financial sector’s resilience in this area has not sufficiently improved. This is evident from various studies and surveys we conducted in the year under review. Banks, insurers and pension funds have all been unable to demonstrate that their basic security measures meet the required maturity levels. The three sectors also need to improve their understanding and management of the ICT and cyber risks they face as a result of outsourcing.

Cybersecurity tests

The cybersecurity of payment systems remained high on the agenda in 2023. We periodically test the cyber resilience of the 30 most critical financial institutions in the Netherlands using the TIBER framework (threat intelligence-based ethical red teaming). This is separate from our supervision of cybersecurity. In 2023, 10 of the 30 institutions were tested, in line with our objective of testing each institution every three years. TIBER tests take into account the latest developments with regard to cyberthreats and security measures.

Our cyber resilience

When it comes to cyber resilience, we hold ourselves to the same standards as the institutions we supervise. For example, we too have implemented the information security good practice, and we test our cyber resilience through regular TIBER or red team exercises involving external parties. Mid-2023, we noticed an increase in the number of DDoS attacks on supervised institutions, as well as on DNB and other central banks in the European system. Our security measures proved to be effective in practice.

Revised resolution plans

To determine the effectiveness of our revised resolution plans for banks and insurers, we conducted a baseline assessment for the latter before implementing the new procedures. This has provided us with a reference point for identifying where and to what extent improvements will be needed in the coming years to ensure that we are able to resolve insurers at risk of failure in as controlled a manner as possible. In 2023, the resolution plans for insurers eligible for resolution were reviewed and revised where necessary. The plans for banks were updated as well. Not all institutions qualify for resolution; institutions that are ineligible are resolved through regular bankruptcy proceedings. In addition to being responsible for the orderly resolution of banks and insurers, in 2022 we also became the resolution authority for central counterparties (CCPs). In 2023, the resolution plans for Dutch CCPs were further developed in line with the relevant European regulations and standards. In addition, resolution colleges for CCPs were set up and the first meetings to discuss the resolution plans with relevant authorities in the Netherlands and abroad were held.

Administration of the deposit guarantee scheme

Several exercises were conducted in 2023 to prepare for a reactivation of the deposit guarantee scheme. For example, we conducted a joint exercise with our counterparts in Germany, France and Spain to test the administration of the deposit guarantee scheme for a struggling bank with several European branches.

Open Government Act

We received 10 information requests under the Open Government Act (Wet open overheid – Woo) in 2023. Only one request could be granted, in part. As a number of documents in this case ("Crypto platform") did not contain confidential supervisory information, partial disclosure was offered. Most Woo requests could not be granted due to the transitional regime that applies specifically to DNB (and the AFM), which stipulates that statutory task-related information held by DNB on 1 May 2022 can only be disclosed from 1 May 2025. Woo requests for confidential supervisory information were also rejected. An appeal is pending before the Amsterdam District Court following a Woo request concerning Centric, the IT service provider with which we terminated our relationship in 2023. The appeal revolves around the question of whether aspects of our operational management fall within the scope of the Woo.

> 'T2 processes an average number of 400,000 daily transactions in the euro area, with a combined value of €2,200 billion.'

CSR

Ambition 2020-2025	Progress in 2023	Actions in 2024
We strive for sustainable economic growth that has no harmful effects on the environment. We strive for an inclusive financial and economic system.	■ Published the updated Sustainable Finance Strategy based on stakeholder insights ■ Completed the risk score pilot for climate and environmental risks in our pension fund and insurance supervision ■ Developed three new statistics: carbon footprint of sector investments, physical risks and green bonds ■ Explored the themes of climate change and "social" ■ Launched a CO_2 monitor to track emissions produced by the payment systems ■ Launched first Paris-aligned investment mandate	■ Integrate ESG risk scores for all pension funds and insurers, announce enforcement expectations ■ Enhance Paris-alignment of our own-account investment portfolio ■ Conduct further research into the macro impact of broader nature and environmental scenarios ■ Prepare DNB's climate transition plan

Sustainability challenges

Sustainable Finance Strategy update

Following intensive contact with both internal and external stakeholders, we published our updated Sustainable Finance Strategy in 2023. Based on our discussions with a wide range of stakeholders, we concluded that the strategy's overarching ambition and the individual objectives for each core task could be maintained. However, we were still able to make improvements and add new focus areas and themes, allowing us to consider sustainability issues even more holistically as potential systemic risks, paying explicit attention to their interactions and the long-term perspective. Concretely, this means scaling up our supervision of sustainability risks, adopting a comprehensive approach to nature-related themes, and exploring new themes, such as climate change adaptation. We will also draw up our own transition plan, in which we will formulate final and intermediate goals for our core tasks and own organisation in line with national and international sustainability goals.

Multi-level dialogue

Effective interaction with our stakeholders is a precondition for achieving our sustainability ambitions. In addition to seeking feedback on our own sustainability strategy, we also engaged in an active dialogue with a wide range of stakeholders on sustainability in the financial sector. The Sustainable Finance Platform, which DNB chairs, is an important body at national level. We operate internationally as part of various organisations, such as the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). DNB co-chairs two NGFS bodies: the Task Force on Nature-related Risks (where we had a leading role in the establishment of the Conceptual Framework for Nature-related Financial Risks) and the Blended Finance Initiative. The latter published the technical document Scaling Up Blended Finance for Climate Mitigation and Adaptation in Emerging Market and Developing Economies (EMDES) in December. Outside insights are key to broadening the ESG knowledge of our employees. That is why we invited various experts to participate in knowledge sessions on a number of topics, including nature-related risks, ESG data and blended finance. We are also developing a basic training course for all DNB employees.

Integrating sustainability in our core tasks and operational management: climate and nature

We are on track to integrate sustainability into our core tasks and operational management by 2025. A great deal of progress was made on the climate theme last year, and we have scaled up our efforts for the broader nature-related themes, such as biodiversity loss and resource scarcity. As climate and nature themes are closely interrelated, we try to consider the impact of climate change and natural degradation on the financial and economic system in conjunction where possible. In our microprudential supervision, for example, we pay attention to the management of climate and environmental risks by supervised institutions. We include climate risks in our macro-financial scenario analyses, and in 2023 we also analysed scenarios related to natural degradation for the first time. Climate and nature are recurring topics in our economic research and advice as well. We monitor the carbon footprint of the payment systems and our statisticians are developing climate indicators. Moreover, we are bringing our investment policy in line with the Paris Agreement and took stock last year of how we can incorporate nature-related risks (see Financial overview). Climate and nature are important themes in our own organisation too, for instance when it comes to the renovation of our head office on Frederiksplein and our procurement policy (see Annex 1). In 2023, we also explored climate adaptation, a relatively new sub-theme for DNB. We looked at the potential impact of measures in this context (e.g. widening rivers and raising dykes) on the financial and economic system and the relevance of climate adaptation to DNB's core tasks. The theme seems to be particularly relevant with regard to financial stability, economic advice and supervision. We are currently working on ways to integrate this theme in our tasks, building on previous work on physical climate risks.

Integrating sustainability in our core tasks and operational management: social themes

The exploration we conducted in 2023 revealed that the various sub-topics covered by the "social" theme (such as human rights, diversity and inclusion) are important in different ways for each of our core tasks. For example, inclusion is an important theme in relation to the payment systems, and we have long been committed to keeping these widely accessible (see Balanced relationships section). We also analysed social factors in our economic advice and research last year as part of the "well-being" research theme. In our supervision, we incorporate social themes – such as human rights and diversity standards – if they are explicitly laid down in laws and regulations. Incidentally, we have decided not to be a frontrunner in this respect, given our supervision's focus on climate and nature-related risks. Within our own organisation, diversity and inclusion are key priorities in our HR policy (see Staff section), and we screen our investments for human rights controversies or practices that conflict with generally accepted social standards (see the Financial overview section).

Resilient financial system

In our supervision of pension funds and insurers, we provided guidance on how institutions can manage climate and environmental risks. We also developed the first version of an ESG risk scoring system. In 2023, we published the final version of our Guide to managing climate and environmental risks, including focus points and good practices to ensure proper management of these risks. We also used the Guide to develop a self-assessment, which we sent to a representative group of pension funds and insurers to evaluate their risk management in this area. This revealed that almost all institutions have started mapping the risks they are exposed to. However, further steps are needed to ensure adequate risk identification and management. Data from the self-assessments was combined with data on exposure to climate risks to create a risk picture. As physical risk data was not yet available, only transition risk data was used in the year under review. As of 2024, more data (for both physical climate risks and broader nature-related risks) will be included in the analysis in order to arrive at mature risk ratings. We expect institutions to step up their risk management, and we will also announce this year when we will begin to assess compliance and take enforcement action where necessary.

Supervisory studies show that banks have made progress in managing climate and environmental risks. In 2023 we monitored the progress major banks made over the past year in addressing the risk management deficiencies identified in 2022. Some of the banks improved in line with expectations, and those that did not were informed by letter (operational act). At the end of 2024, banks will have to meet all supervisory expectations. All small and medium-sized banks have started to identify the impact of climate and environmental risks on their prudential risks. The maturity of their risk management in this area varies. A small proportion are in the early stages, a large group are slightly further along and some are more advanced. Nevertheless, all banks can still make strides in this area.

Scenario analyses and stress tests

We work with other supervisory authorities and central banks to assess the impact of climate and environmental risks by conducting scenario analyses and stress tests. As part of the NGFS, we contributed to new long-term scenarios and a conceptual note on short-term climate scenarios that allow central banks, supervisors and financial institutions to calculate impacts on the financial system. In 2023, the ECB/ESRB climate project team, of which DNB is a member, published a report with analyses and policy recommendations on climate risks and analyses on nature risks. Together with Deltares, we studied the potential effects of flood risk on financial institutions. This showed that the potential credit risks due to the expected damage to mortgaged buildings are manageable for the sector. We also conducted a first scenario analysis together with the PBL Netherlands Environmental Assessment Agency on the financial risks of nature degradation and related policy measures. Further research is needed to gain a better understanding of the impact on the Netherlands' financial stability. Finally, we contributed to reports prepared by the ESRB ATC-FSC joint project team and the FSB Climate Vulnerabilities and Data working group, and to the Fit-for-55 climate stress test.

International laws and regulations

We contributed to an effective regulatory framework by participating in policy bodies such as the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the Basel Committee on Banking Supervision (BCBS). We are closely involved in the EBA's work on ESG risk management, and we contributed to the advisory report on how to better address ESG risks in Pillar 1. We also help lead a BCBS work stream exploring the need for further policy action on climate risks, which has resulted in the publication of a BCBS consultation paper on disclosure requirements. In addition, we advised the Ministry of Finance in the negotiations on the revision of the European banking regulations (CRR3/CRD6), which also address ESG risks. DNB and the Ministry were positive about these proposals, which will likely be included in the final legal text (published in 2024).

Robust sustainability data and statistics

As chair of the ECB Expert Group on Climate Change and Statistics, we spearheaded the development of sustainability indicators and methodological guidelines. At the beginning of 2023, this yielded the first experimental statistics, which we published together with the ECB. In addition, a work plan has been developed to further improve the measurement methodologies for carbon footprints, physical risks and green bonds by the end of 2024. Special attention is being paid to changes in the footprints of financial institutions' investment portfolios over time, and to the underlying causes of these changes. In 2023, we published a decomposition study that provides insight into the carbon trends in the Dutch financial sector. It is also being used as a methodological contribution to the new DNB and ECB sustainability indicators, which will be shared in 2024.

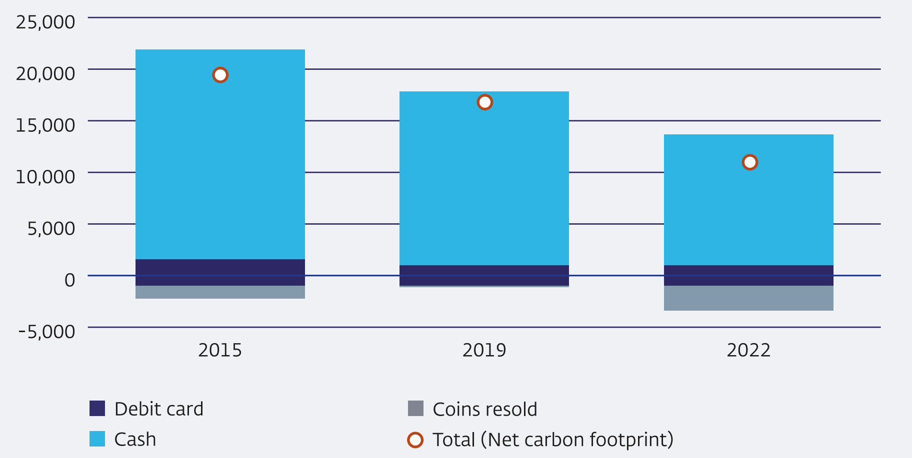
More sustainable monetary tasks

Within the ECB context, we continued to work on integrating climate risks into monetary policy. As part of our monetary operations, we continued the greening of our corporate bond portfolio (CSPP) by including the climate risks companies are exposed to in our reinvestment strategy. We also conducted a new climate stress test, which showed that large-scale flooding in the euro area would have a material impact on our balance sheet and lead to a significant increase in all financial risks (see Financial overview).

More sustainable payment systems

At the beginning of 2023, we partnered with CE Delft to develop a carbon emissions monitoring tool for cash and debit card payments. The tool is based on a life cycle assessment method and assesses the carbon impact of the raw materials, assembly, transport and energy consumption required for Dutch retail payments. Figure 9 shows the estimated total carbon emissions for 2015, 2019 and 2022. The impact is low and declining steadily towards the 2030 target: a 50% reduction compared to 2015. There is still room for improvement, however, particularly in the cash payment chain. The higher share of green electricity and the use of biofuels are expected to further reduce the carbon impact in the coming years. DNB itself has contributed to more sustainable payment systems by equipping its Cash Centre, which became fully operational in 2023, with solar panels and a heat and cold storage system. We also switched to 100% biofuels (such as HVO) for our security transport fleet and sold excess coin stocks to other countries to limit the production of coins elsewhere in the euro area.

Figure 7 Carbon emissions from retail payments are steadily decreasing
Total carbon footprint



Note: The chart presents cash and debit card payments made by Dutch residents.

Guidance for financial market infrastructures

In 2023, we published an overview of good practices to encourage financial market infrastructures (FMIs) to embed climate and environmental risks more firmly in their governance and risk management. The publication followed round-table discussions and consultation rounds, which had revealed that these risks were not yet receiving sufficient attention from all FMIs. As chair of a working group within the Committee on Payments and Market Infrastructure (CPMI) and a member of the International Organisation of Securities Commissions (IOSCO), we are also calling attention to these risks internationally.

Informed debate on creating a sustainable economy

In our research and advisory role, we paid considerable attention to the impact of higher energy prices in 2023. For example, we published a DNB Analysis on the effects of higher energy prices on energy consumption and the efforts to make owner-occupied homes more sustainable, an

Occasional Study on the effects on vulnerable households, and an ESB article on how climate policy relates to income policy. We shared the results of these studies in various bodies, including consultation between the Prime Minister, the Minister of Economic Affairs and Climate Policy, the Minister of Finance and the Minister of Social Affairs and Employment, the Catshuis sessions and the interministerial policy study on climate change, as well as with other stakeholders. We have also published articles on how long the high energy prices will continue to affect the prices of other products and how much loss of income the Netherlands has suffered as a result.
In another study, we examined the macroeconomic impact of climate subsidies in the United States under the Inflation Reduction Act. Examples of our efforts in the area of broader nature and environmental risks include our participation in the Social and Economic Council of the Netherlands' DUO committee, which this year issued an opinion on how to accelerate the raw material transition to achieve the goals for a circular economy.

Economic models

We have made several improvements to the way we model the impact of energy and climate policies. For example, we have developed a multi-sectoral general equilibrium model that can be used to study the effects of emissions pricing and energy prices on various sectors. Within the ECB context, we also contributed to the expansion of the macroeconomic EAGLE model with a climate module that can be used to assess the economic effects of cost increases resulting from climate policies.

Digital

Digital Ambition 2020-2025	Progress in 2023	Actions in 2024
All our work is data-driven and supported by digital technologies, and we are recognised as a digitally engaged participant in the financial sector. By harnessing data, technology and digital processes, we can perform our tasks as effectively and efficiently as possible. We are also a respected peer in the sector in terms of digital know-how.	■ Digitised up to 75% of supervision chain processes, according to schedule ■ Launched a text mining (natural language processing) application that allows supervisors to quickly search documents, promoting data-driven research ■ Conducted a survey to assess internal and external appreciation of digital processes (appreciation has increased) ■ Developed tool for qualitative surveys available on My DNB; mailbox not yet up and running, as this required more capacity than planned ■ Annual data maturity measurement shows growth from 2.2 in 2022 to 2.7 in 2023, on track to reach 3.0 at the end of 2024 ■ New digital working environment completed	■ Add new features to My DNB based on sector feedback ■ Make it easy to find and edit data products, statutory supervisory reports and resolution reports in the cloud ■ Optimise workstations for employees with hearing or visual impairments to contribute to our inclusion objectives ■ Ensure that our supervisory processes are compliant with the Modernisation of the Electronic Administrative Exchange Act (*Wet modernisering elektronisch bestuurlijk verkeer – WMEBV*)

Digitalisation
The main focus in the year under review was on the further digitalisation of our supervisory processes. This applied to both our own My Supervision portal and the external My DNB portal used by supervised institutions. New features and a connection between the applications have been added to support the further integration of the supervision process.

Further digitalisation of the supervision chain
We have digitalised more than 75% of the processes that are part of the internal supervision chain, such as receiving and analysing data from institutions, determining risk ratings and planning supervisory activities. The additions to our internal My Supervision portal make it easier for supervisors to identify which actions have not yet been completed and to establish an institution's risk profile. Now that almost the entire supervision chain has been digitalised, the focus in 2024 will not necessarily be on adding new features, but rather on improving the existing My Supervision applications to make them more user-friendly and enhance process automation.

Applications and reports submitted by institutions
Over 95% of the applications and notifications that institutions submit to us, such as applications for licences and declarations of no-objection (DNOs), have now been digitalised. Institutions can submit applications and notifications through My DNB, the digital communication channel between DNB and its external stakeholders, after which they are processed digitally. In 2024, we will work to further automate applications and notifications that occur relatively often to improve our response time. We will also add features to My DNB based on feedback from the sector. Among other things, we will offer more communication and interaction options and make it easier for multiple employees of the same institution to work together on qualitative surveys.

Ambitions for My DNB partly realised
We achieved part of our ambition to introduce two innovations aimed at making My DNB easier to use for supervised institutions in 2023. Our aim for 2023 was to add a new tool for qualitative surveys and a mailbox for all formal supervisory communications to My DNB, consolidating its role as the

main digital communication channel between DNB and its external stakeholders. We have successfully added the new tool for qualitative surveys (Surveyor), which makes it easier for institutions to submit accurate data. As the development of this tool required more capacity than expected, the launch of the mailbox feature was pushed back.

User ratings of applications

Institutions that use My DNB to communicate with DNB rate the portal at 7.0, while our own supervisors rate our internal digital solutions at 6.5. These ratings represent an increase compared to 2022, when My DNB scored a 6.8 and the internal solutions received a 5.8. The new features added to My DNB, such as the tool for qualitative surveys, contributed to these higher ratings. New features have also simplified a supervisor's work, leaving more time for the analysis and mitigation of actual risks. This is reflected in the increase in the user rating to 6.5, bringing the target of a 7.0 rating by the end of 2024 within reach.

External service providers

We concluded four-year service contracts with the ICT service providers TCS and Capgemini, marking the end of our relationship with Centric. Our digital ambition will be supported by these two new parties from 2024. TCS will staff the service desk, while Capgemini will be responsible for managing our data centres.

Artificial intelligence

As ChatGPT grows in popularity, the discussion around the use of AI technology in the financial sector has become more topical and urgent: the opportunities seem legion, but so do the risks. Like every other institution, DNB is assessing the opportunities and risks associated with AI. The sector is making significant investments in this new technology, with applications ranging from chatbots to identity verification and fraud detection. This will likely lead to efficiency gains and innovations. On the other hand, there may also be integrity risks, for instance with regard to discrimination, biases and exclusion. Together with the AFM, we are developing a vision on how AI can be used responsibly by financial institutions and how to organise its supervision. This vision will be published in 2024. AI can also be a useful tool for supervision itself – in addition to supervision of AI, there will also be supervision with AI. Work in this area is in full swing.

> 'In addition to supervision of AI, there will also be supervision with AI.'

Text mining

New steps have been taken in the area of AI to support our supervisors as effectively as possible. Using text mining technology (natural language processing), an application has been developed that allows supervisors to quickly search all documents submitted by a supervised institution for relevant risk terms. In 2024, we will continue to explore how large language models (LLMs) can contribute to further improving the effectiveness of our supervision.

Information security

We have started our transition to a new data landscape. A key part of this is the move to a cloud environment and a new platform. The revamped data landscape will allow supervisors to access data faster and more securely, making it easier to conduct data-driven supervision. We have identified 23 use cases that the new data landscape must be able to handle, from processing large files with overviews of institutions' loans to receiving quantitative reports and ad hoc data requests. In 2024, we will ensure that three of these use cases have digital solutions that fit into the new data landscape. We will also flesh out the remaining use cases to facilitate the development of digital solutions in the years after 2024.

Identity and access management

To improve our level of control in terms of information security, a programme to ensure effective DNB-wide identity and access management was launched in 2023. Identity and access management ensures that employees can use the information they are authorised to access, thereby safeguarding the integrity, availability and confidentiality of all digital resources.

Overview of technological developments

In 2023, we developed our first technology calendar, which highlights the most important technological developments for supervision, including in the areas of crypto, cyber and AI. This calendar has also been shared with the sector. Moreover, there will be an annual strategic dialogue on technological developments in the financial sector between senior executives from DNB, the AFM and the sector. The first of these meetings, held earlier this year, focused on AI.

Staff

Staff Ambition 2020-2025	Progress in 2023	Actions in 2024
We are committed to greater diversity, open dialogue and enhancing our employees' digital skills.	■ On 1 October 2023, more than 90% of employees had completed the Diversity & Inclusion e-learning module (our target was at least 80%) ■ Developed new labour market campaign ■ Launched SPP pilot and developed recruitment plans for each division ■ Adopted hybrid working guidelines (two days at the office) ■ Updated Diversity & Inclusion strategy, introduced new KPIs ■ Introduced the Digital Skills Framework to give employees insight into the digital skills they need and offer training suggestions	■ Launch new labour market campaign ■ Develop annual strategic HR plans with a tailored recruitment strategy for each division, with a focus on organisational development, retention, development, organisational capability, culture, diversity and inclusion ■ Develop plan for pleasant shared workspaces at the main office on Frederiksplein after the relocation in 2025 ■ Increase the proportion of female staff and managers by 2 percentage points, including through recruitment activities and talent management ■ More jobs for people with an occupational disability ■ Launch training intermediary

DNB and the labour market
Despite labour market tightness and recruitment bottlenecks for specific positions, we have so far been reasonably successful at attracting new colleagues. The inflow of 377 new employees exceeded the outflow, which totalled 239. Voluntary and retirement-related departures accounted for two-thirds of the total outflow. Recruitment filled 513 vacancies in 2023. Although the current inflow gives us cause for optimism, it is vital that our recruitment efforts remain sufficiently distinctive given the current labour market.

New labour market campaign
With our new labour market campaign, developed in the year under review and launched in the first quarter of 2024, we hope to reach a wide range of potential candidates, including those who are less familiar with DNB and those who are not actively looking for work. With the slogan "Share your insight, shape our society", we adopted an "outside-in" approach: the campaign focuses on the needs, values and expectations of potential employees. We tell our story from the perspective of our target groups using relevant social and professional themes.

Top 10 employer

We are still seen as an attractive employer with good employment conditions, as evidenced by our top rankings in a number of surveys. We were again awarded Top Employer certification in 2023 and even reached the top 10 of the 76 Dutch organisations that hold this international quality mark for good employers. Our high ranking can be attributed to the increased number of audit questions we were able to answer positively: in the year under review, we met 94.05% of the criteria underlying certification, up from 91.73% in 2022. The Employer Branding survey conducted by Randstad last year found that DNB was the most attractive employer in the financial services sector. We only scored relatively low on "positive working environment" and "good work-life balance". The image of DNB is that of an organisation with a formal civil service culture. DNB is also less well known compared to other financial institutions. According to another ranking, by the Intelligence Group, there is still room for improvement in our labour market communication. We are currently ranked 241st on this list of favourite employers in the Netherlands.

Employee satisfaction and culture

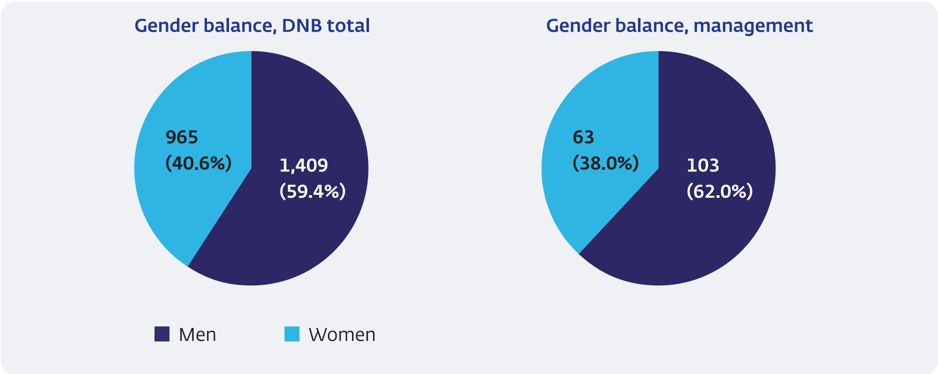
Our employees continue to be satisfied with their work and report a high level of inclusion, but psychological safety remains an area for attention. According to last year's staff survey, our employees were slightly more satisfied in 2023 compared to 2021, with DNB's overall score increasing from 7.3 to 7.4. This is also 0.1 higher than the benchmark score, which is based on the responses of around 45,000 employees across various sectors, including manufacturing, construction, business services, and government and public administration. Progress has been made in terms of inclusion: the extent to which people can show themselves as they are. Our employees give this aspect a score of 7.4, up from 7.1 two years earlier. We score above or equal to the benchmark on all metrics, with the exception of psychological safety and turnover intention. Although our score of 6.5 is slightly better than the 6.4 we achieved in 2021, we are still lagging behind the 6.8 benchmark. We are committed to improving in this area and have organised various sessions at both department and division level to make it easier for employees to discuss sensitive issues. In addition, our culture programme focused on the themes of collaboration and appreciation, and working groups have been set up to allow each division to take specific action. Cross-divisional collaboration and a focus on results are also seen as great assets in this respect, as they can drive positive change and reduce employee churn.

Diversity and inclusion

We have updated our diversity and inclusion objectives and set annual targets. These ambitions are supported by activities carried out under the auspices of our Chief Diversity Officer.

Gender balance – In 2023, 37.7% of our managers were women, below our target of 40%. Our new target for 2024 is to have 42% women in management positions. This target will continue to be adjusted by 2 percentage points each year to reach 50% in 2028. For the workforce as a whole, a 50-50 gender balance will need to be achieved by 2027 – an ambitious goal given the fact that only 40.6% of our employees were women in 2023.

Figure 8 Gender balance not yet achieved



Cultural diversity – Based on the new cultural diversity definitions used by Statistics Netherlands, a distinction is now made between employees whose parents were born in the Netherlands, employees with a non-Dutch European background and employees of non-European heritage. Our ambition is for our workforce to reflect Dutch society. This means that at least 26% of our staff should have a culturally diverse background. Seeing as 9% of our workforce in 2023 had a non-Dutch European background and 17% was of non-European heritage, we have already reached this objective. However, this is not yet the case for management. A voluntary and anonymous survey among our managers (with a response rate of 77.4%) shows that 4% have a European migration background and 9.7% have roots outside Europe.

Box 1 LGBTIQ+ inclusion at DNB

We launched several new initiatives in the area of LGBTIQ+ inclusion in 2023. For example, on the recommendation of our LGBTIQ+ network, DNB Pride, we began offering support to employees who are planning to start a gender transition. They are now entitled to 33 weeks' paid transition leave. The collective labour agreement has also been updated: it now stipulates that employees who fulfil a leadership role in a diversity network can take care of these responsibilities partly during working hours. In addition, the Executive Board has appointed a confidential adviser representing our LGBTIQ+ staff. These two changes were initiated by DNB Pride as well.

On behalf of DNB, our director Olaf Sleijpen opened the international conference "Stories of the Heart", where LGBTIQ+ activists from Central and South America shared their powerful stories. These and other measures contributed to DNB's significantly higher ranking in the Workplace Pride Global Benchmark, which maps LGBTIQ+ inclusion in the workplace, and we achieved "top-scoring public organisation" status in 2023. Our ambition for 2024 is to achieve "ambassador" status.

Occupational disability – Our target for employees with an occupational disability has remained the same: we aim to employ 63 people with a disability for 25.5 hours per week by 31 December 2025. Of these, 45 jobs will be created by DNB itself and 18 will be offered in cooperation with our outsourcing partners. However, reaching this target by 2025 will require serious efforts. In 2023, we reached 30 participation FTEs against a target of 45. To increase this number, the Diversity & Inclusion programme, together with students from Amsterdam University of Applied Sciences, has launched a study on the possibilities of "jobcrafting" (combining less essential activities) and insourcing activities that were previously outsourced.

Equal pay study

There are no pay differences between men and women in the same job scale at DNB. There are also no significant differences in terms of promotion opportunities and assessment. This is evident from the equal pay study conducted by the Korn Ferry agency. The study population comprised all DNB staff in pay scales 1 to 14 (excluding Executive Board members). An analysis of the average monthly salaries of men and women at DNB – the unadjusted pay gap – shows that women's salaries were about 10% lower than men's in 2023. However, when we look at the figures for men and women in equal positions – the adjusted pay gap – there is no significant difference. The same is true for the starting salaries of employees hired since 2019, although there is an unadjusted pay gap of 5.2%, mainly because men tend to be hired for positions in higher pay scales. After adjusting for pay scale, hiring year and domain, there appear to be no significant pay differences in terms of starting salaries in the same scales. The study shows that it takes an average of seven quarters for employees to receive their first promotion. While women are slightly more likely to be promoted (24.3% versus 23.5%), this also takes slightly longer on average (6.94 quarters versus 6.77 quarters). Neither difference is statistically significant. The study also examined the annual performance reviews to assess whether men and women are rated equally. Employees can receive one of three ratings: "Needs improvement", "Good year" or "Exceptional year". The distribution for men is 6.9%, 81.3% and 11.9% respectively. For women, it is 6.6%, 80.7% and 12.7%. These differences are not statistically significant.

Training

We offer training courses that enable employees to develop their digital skills and maintain their awareness when it comes to diversity and inclusion.

Digital skills – A DNB-wide Digital Skills Framework (My DSF) allows employees to keep developing their digital skills. This tool lists key digital skills by division and job category, presenting suggestions for training at basic, advanced and expert level. My DSF is now also being used at team level for so-called team scans, in which departments map out their teams' work and the tools they can use now and in the future. After that, the scan identifies the skills teams already possess and those they want develop. So far, 11% of our employees have used My DSF. As divisions and departments are free to use other tools, which is not centrally recorded, we are unable to draw DNB-wide conclusions regarding the extent to which employees are developing their digital skills based on this percentage.

Diversity & Inclusion – On 1 October 2023, 92% of our employees had completed the Diversity & Inclusion e-learning module, which had been launched 11 months earlier. This exceeded our 80% target. All new employees must complete the e-learning module within a year after joining DNB. Staff who were already employed by DNB when the module was launched had one year to complete it.

Box 2 The legacy of slavery

In 2023, we made several financial commitments to initiatives aimed at raising awareness of the Netherlands' involvement in slavery and reducing the effects of slavery still felt today.

With the publication of an independent historical study by Leiden University on 9 February 2022, we recognised our own involvement in the transatlantic slave trade through several of our former directors. At the Keti Koti celebrations in Oosterpark on 1 July 2022, President Klaas Knot apologised on behalf of DNB to all descendants of enslaved people in the Netherlands, Suriname, Bonaire, Sint Eustatius, Saba, Aruba, Curaçao and Sint Maarten. We also announced a set of appropriate, meaningful and proportionate reparation measures. For example, we are donating a total of €5 million in various one-off contributions to education projects with a broad social impact. These projects are aimed at raising awareness about the legacy of slavery (acknowledging and coming to terms with the history of slavery) and preserving historical heritage. In 2023, we made contributions to several projects, including the Elisabeth Samson House in Suriname, the Tula Museum in Curaçao and the future National Slavery Museum in the Netherlands. The second round of one-off contributions will be allocated in early 2024.

On 1 July 2023, we launched the DNB Fund, a project we developed together with the Culture Fund that will donate €500,000 a year to smaller local projects in the Caribbean Netherlands, Suriname and the Netherlands. The aim is to support projects that can reduce the effects of slavery still felt today by the descendants of enslaved people. The DNB Fund will sponsor local projects that focus on three themes: preserving culture and nature, promoting education and talent development, and economic self-sufficiency. Applications will be assessed by local representatives. So far, funding has been awarded to Stichting Adelaida, Stichting ABAN, Stichting Dutch New Narrative Lab and Stichting Buurtwerk Latour.

Cost-conscious

Ambition 2020-2025	Progress in 2023	Actions in 2024
Greater cost-consciousness and extra emphasis on operational management will boost effectiveness and improve insight into the results achieved.	■ Brought process architecture to agreed level ■ Embedded revised governance model in operational management and governance ■ Followed up on results of internal health checks at Monetary Affairs and Internal Operations	■ Draft independent public body cost framework 2025-2028 ■ Continue to develop DNB-wide management information ■ Continue to develop process architecture ■ Roll out Future-proof Supervision project ■ Prepare for the next strategy cycle

Governance
DNB's governance model has been updated and embedded in operational management and governance. The revised model emphasises the importance of operational management, process management and steering to enact change. This reinforces the horizontal focus in our governance, alongside the traditional, hierarchical line management along vertical lines. We have also included the governance model in our Organisation and Governance Outlines, which offers an overview of the design and functioning of our internal governance. An audit to assess the effectiveness of the updated governance model is scheduled for 2024.

OGSM methodology
In 2023, we started using the OGSM methodology (objectives, goals, strategies and measures), a powerful tool that will help the Executive Board to adopt a more top-down approach to governance. We use OGSM at three levels: DNB level, domain level (Central Bank, Supervision, Internal Operations and Resolution) and division level. Our budget management is also based on these levels. As most of the changes relate to ICT and data, we have set up a separate governance body for these, the Digital Agenda Board. This Board manages the resources allocated to the pursuit of our digital ambition and supervises the implementation of the underlying projects and programmes, ensuring that the allocation of resources is aligned with our strategic choices. This alignment is DNB-wide, and the pace and intensity of innovation are tailored to the organisation's absorption capacity.

Strengthening of the P&C cycle
We strengthened our planning and control cycle in 2023. This included the introduction of a number of new elements in the budgeting process to ensure that the key objectives and resources for the coming year are defined in a timely manner, including a multi-annual financial perspective. In the longer term, the latter will enable the Executive Board to allocate resources to objectives more effectively, and to focus the annual budgeting process on important changes and new insights. A three-year horizon is also a good time frame for making realistic adjustments to the deployment of labour capacity.

Preparation of new cost framework
In 2023, we began preparing our new independent public body cost framework, which will set out how much our supervisory, resolution and deposit guarantee scheme tasks can cost from 2025 to 2028. This cost framework must be in place by mid-2024 to facilitate the timely preparation of our independent public body budget. As a supervisory and resolution authority, DNB must adopt a new cost framework every four years. This framework is drawn up by the Executive Board together with the Ministers of Finance and Poverty Policy, Participation and Pensions.

Its purpose is to give the financial sector, which bears the cost of DNB's tasks as an independent public body, insight into the long-term development of our supervisory costs, while the framework's multi-annual nature promotes stability. The current cost framework applies from 2021 to 2024.

Health checks

The recommendations made following health checks at Monetary Affairs and Internal Operations have been implemented. At Monetary Affairs, we initiated the planned transition aimed at remaining an impactful and cost-conscious central bank. At Internal Operations, several organisational reinforcements were made following the health check, including with regard to the procurement function and HR. Moreover, several tasks have been centralised to ensure more effective service delivery and management. To keep Internal Operations fit for purpose, the management process has been adjusted and the "three lines" risk management model has been further consolidated by positioning the second line more firmly. Meanwhile, the Management Control Centre (MCC) aims to strengthen the domain's operational management.

Review of the supervisory organisation

In order to ensure that the supervisory function remains effective in the years ahead, we started a review of the supervisory organisation in 2023. The aim is to create a future-proof supervisory organisation that is able to respond to a changing environment in the best possible way, for example through sufficient flexibility and agility. While budget cuts are not the primary objective, the review will also assess whether there are tasks that can be carried out more effectively and efficiently. This will help us to achieve more of our supervisory objectives, without accompanying cost increases. We are also consulting external stakeholders for this review. The implementation of any recommendations will take place in the course of 2024 or, at the very latest, in early 2025. The last major review of our supervisory organisation took place in 2014, during the introduction of the Single Supervisory Mechanism (SSM).

Cost development

The actual cost of performing our core tasks in 2023 was €537.8 million, broadly in line with the budget of €539.1 million. After correcting for banknote production costs, underruns in both our independent public body and monetary task budgets resulted in an aggregate underrun of €6.7 million in our regular budget. The underspend is mainly the result of lower insourcing expenses and staff costs, as our average staffing level in 2023 was lower than budgeted. See also the 2023 independent public body report for a more detailed explanation with regard to the performance of these tasks.

Process management

We have taken our process management to the next level, as planned. In 2023, we fleshed out our 21 key business processes – ranging from "Drafting policy recommendations and influencing policy" to "Assessing applications to enter or exit the financial market" – to the agreed level of detail (level 3). It is now up to the 21 process owners to determine whether it is necessary to create detailed process descriptions (level 4) and working instructions (level 5) for their process. In addition to process owners, process experts and process managers have been appointed as well. In 2024, key performance indicators (KPIs) and key risk indicators (KRIs) will also be added to the process architecture.

Financial overview

The Governing Council of the ECB further raised its key interest rates in 2023 on account of high inflation, leading to a significant loss for DNB for the first time since 1931.[1] The rising policy rates have pushed up our interest payments, while our interest income does not increase to any significant extent. This situation is bound to last several more years, and we expect our financial result to remain in negative territory through 2028. Our losses are a direct consequence of the monetary policy we help conduct, but they do not hamper the performance of our core tasks in any way. This section discusses our loss, costs, exposures, risks and buffers, capital position, climate risks and our policy on sustainable and responsible investing.

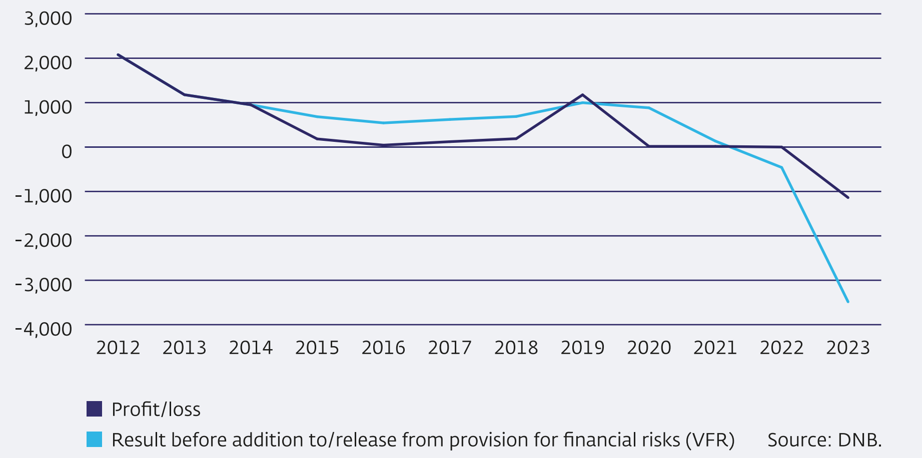
Profit developments

For 2023, we recorded a €3,485 million loss before the release from the Provision for Financial Risks (VFR). The provision was insufficient to fully absorb the loss. Following the release of the full amount of the €2,346 million provision, we charged the loss of €1,139 million to capital and reserves (see Figure 9). Due to the loss we do not distribute any dividends to the shareholder.[2]

Generating a €3,240 million loss, monetary operations made the largest contribution to our negative result. This is because higher policy rates drive up the interest we pay on the deposits that banks hold with us (€7,580 million). However, these higher charges are not fully offset by higher interest income on Open Market Operations (OMO) (€1,561 million) and on long-term bonds included in the purchase programmes. These bonds were purchased in large volumes at low interest rates, mostly to mitigate the impact of the COVID-19 pandemic on the economy. The Eurosystem conducts its monetary operations jointly (see Box 3).

Figure 9 DNB incurs loss

EUR million



1 We incurred a major loss on pounds sterling in 1931 after the United Kingdom left the gold standard.
2 The release from the Provision for Financial Risks and our decision not to distribute dividends are in line with our capital policy.

Box 3 Monetary operations

The Eurosystem's monetary operations consist of liquidity provision, purchase programmes and the Transmission Protection Instrument. Liquidity is provided to banks through open market operations (OMOs), for the shared account and risk of the Eurosystem central banks and against adequate collateral. Besides regular, short-term liquidity provision, we conduct targeted longer-term refinancing operations (TLTRO III) with banks to support credit growth. Eurosystem banks have meanwhile repaid roughly three-quarters of the TLTRO III funding, and the last TLTRO-III operations mature in 2024.

The purchase programmes involve the outright purchases of debt securities on the financial markets to influence market conditions or to steer the amount of liquidity in the money market. The only remaining active purchase programme is the Pandemic Emergency Purchase Programme (PEPP), which was launched in March 2020. Purchases under the PEPP took place until March 2022. Reinvestments will be phased out over the course of 2024 and are expected to end by the end of 2024.

The inactive asset purchase programme (APP) and the even older Securities Markets Programme (SMP) are gradually expiring. Principal payments were reinvested under the APP until July 2023. Most of the purchases under the APP and the PEPP are debt securities issued by the public sector. The programmes do not involve an arrangement for sharing income and risks on these government bonds in the Eurosystem.

The Transmission Protection Instrument (TPI) was designed in 2022 to counter unexpected market disturbances that pose a serious threat to monetary policy transmission in the euro area. There was no need to activate the TPI in the year under review.

In addition to monetary operations, DNB also performs non-monetary tasks. €485 million was paid in interest on our non-monetary deposits in 2023. These are deposits that other central banks, central clearing institutions and public institutions hold with DNB at an interest rate equal to or just below the deposit facility rate. Their volume declined in 2023 in response to decisions by the ECB's Governing Council to reduce their remuneration.

Our own-account investments contributed positively to our result in 2023 (€382 million). This is due to the sale of part of a developed markets equity fund and high-yield bond funds after we had transitioned to an equity mandate (see the paragraph 'Sustainable and responsible investing in our own-account investments'). Of the revaluation reserve for this equity fund a portion was released and transferred to the result (€105 million). In addition, investments benefited from price increases. Price increases pushed investments in the developed markets equity fund to the upper end of our strategic bandwidth. The reduction of these investments resulted in a release of the revaluation reserve, and €160 million was added to the results. At the same time, the costs of funding our own-account investments have also risen due to higher policy rates, thus dampening the positive effect of price increases.

Table 1 Breakdown of our profit and loss

EUR million

	2023	2022	Difference
OMO	1,561	(617)	2,178
CBPP3	123	81	42
SMP	9	12	-3
CSPP	220	180	40
PSPP	1,145	434	711
PEPP	430	(184)	614
Money market liabilities for monetary deposits	(7,580)	(382)	-7,198
Intra-system claims	854	196	658
Release from/(addition to) provision for monetary policy operations	(2)	0	-2
Total monetary operations	(3,240)	(280)	-2,960
Fixed-income securities	125	(124)	249
Equities	(15)	0	-15
Equity funds	256	245	11
High-yield bond funds	15	1	14
Investment-grade funds	1	(22)	23
IMF receivables	143	(3)	146
Total own-account investments and IMF receivables	**525**	**97**	**428**
Money market liabilities for non-monetary deposits	(485)	(22)	-463
Total sundry (including expenses)*	(285)	(255)	-30
Total release from provision for financial risks	2,346	460	1,886
Profit/(loss)	**(1,139)**	**-**	**-1,139**

* Sundry includes operating expenses, fees and charges paid by supervised institutions and income from participating interests. Costs of supervision are apportioned to supervised institutions, which is why the amount under 'sundry' is lower than the total realised costs.

Costs

The realised costs for our core tasks in 2023 are €537.8 million, which is almost in line with the budgeted figure of €539.1 million. Adjusted for the cost of banknote production, there is an underrun of €6.7 million in our regular budget[3], reflecting lower costs for both ZBO tasks and monetary tasks. The principal causes of the underrun are a smaller workforce on average over full 2023 compared to the budgeted headcount, resulting in lower staff costs, as well as lower costs of insourcing. A more detailed account of how we performed our ZBO tasks can be found in the Dutch-language 2023 independent public body (ZBO) report.

Exposures

Our exposures stem from the Eurosystem's joint monetary policy and from other activities, including our own-account investments, for which we are exposed to risks. Monetary exposures at risk fell by €65 billion to €262 billion in 2023. The decline is due to the further tightening of monetary policy to curb inflation. The tightening resulted in a decrease in exposures of OMO due to repayments by banks to TLTROs. There has also been a decrease in exposures under the purchase programmes. As the Eurosystem stopped reinvesting maturing bonds under most purchase programmes, the portfolios tend to decrease.

3 Decisions on banknote production are made by the ECB and are outside our control. For this reason, we do not include production costs in the budgetary framework that we manage internally.

Table 2 Our monetary exposures by programme and country

The exposures on which we incur a risk are reported. The total may differ from the sum of the exposures for each country and each programme due to rounding differences. Exposures on government bonds mainly concern sovereign bonds issued by the Dutch State.

EUR billion

	OMO	SMP	CBPP 3	PSPP	CSPP	PEPP	Total
Netherlands	0.5	0.0	1.4	103.2	5.5	74.8	185.4
France	5.6	0.0	4.8	0.0	6.0	0.8	17.2
Germany	4.2	0.0	3.7	0.0	2.4	0.4	10.6
Italy	8.8	0.0	1.3	0.0	1.3	0.2	11.5
Spain	1.3	0.0	2.1	0.0	1.3	0.3	5.1
Other (*)	3.5	0.1	2.0	14.9	2.5	9.6	32.6
Total	**23.9**	**0.1**	**15.3**	**118.1**	**19.0**	**86.0**	**262.4**
Change relative to December 2022	-53.7	0.0	-1.0	-8.7	-1.3	-0.6	-65.3

(*) Mostly securities issued by supranational institutions.

In 2023, a new strategic asset allocation (SAA) was implemented, increasing exposure through own-account investments. Every three years we conduct an SAA study to optimise the ratio of return, risk, societal impact and size of our own-account investments. It emerged from the 2023 SAA study that it was desirable to increase the strategic size of our own-account investments by €750 million. We accomplished this mainly by expanding investments in equities and equity funds.

The self-managed foreign currency portfolio consists of high-grade government and semi-government bonds that serve to intervene in financial markets. Our participations in equity and corporate bond funds are externally managed. Table 3 shows the composition of our own-account investments. Besides own-account investments, we have exposures through receivables from the IMF. The IMF receivables are broken down in the notes to the balance sheet under '2.1 Receivables from the International Monetary Fund (IMF)' on page 103.

Table 3 Composition of own-account investments and IMF receivables

EUR billion

	31-12-2023	31-12-2022	Difference
Foreign currency denominated fixed-income securities	4.3	4.3	0.0
Equity funds	2.1	1.9	0.2
Equities	0.7	0	0.7
High-yield bond funds	0.4	0.6	-0.2
Investment-grade bond funds	0.5	0.5	0.0
IMF receivables	5.1	4.6	0.5
Total	**13.1**	**11.9**	**1.2**

Risks and buffers

Exposures on DNB's balance sheet lead to financial risks. The calculated financial risks that DNB faces fell by €9.8 billion to €17.4 billion in 2023 (see Table 4). This aggregate risk largely consists of interest rate risk, which results from the difference between the maturity of our assets and that of our liabilities. We determine the extent of interest rate risk by projecting an extreme but plausible scenario with sharply rising key policy rates. In this stress scenario, which is prepared by an independent panel of monetary experts at DNB, inflation remains above the 2% target for much longer than anticipated. Policy interest rates in this scenario are therefore structurally above current market expectations. In particular, our monetary operations created an interest rate risk of €13.4 billion as at 31 December 2023.
The interest rate risk has decreased compared to the preceding year, due to lower expected interest rates, which is why the interest rates in the stress scenario are also lower. The interest rate risk also decreased

mechanically compared to year-end 2022, as part of the interest rate risk materialised in 2023.

In addition to interest rate risk, the monetary operations also give rise to credit risk. The credit risk of €3.0 billion on monetary operations (excluding OMOs) decreased slightly, largely resulting from the asset purchase programmes. Of this credit risk, €1.8 billion falls under the VFR. We determine the extent of interest rate risk by projecting an extreme but plausible scenario. Lending to banks through OMOs only results in credit risk to a limited extent, as we require adequate collateral in these operations. The interest rate and credit risks associated with the purchase programmes will remain high for many years to come. This is due to the large size and long average remaining maturity of the bonds purchased under the various programmes.

We also have an €0.8 billion exposure to market and credit risks on our own-account investments. They are also calculated under an extreme but plausible scenario. Market risk decreased in 2023 as a result of lower volatility in the financial markets. Credit risk on own-account investments remained unchanged, but is significantly lower than market risk on our own-account investments. We maintain a low risk profile for the foreign currency portfolio, using forward exchange contracts to hedge most of the currency risk. The foreign exchange risk on the IMF receivables, which are expressed in a basket of international currencies (special drawing rights – SDRs), is hedged.

Table 4 Our exposures, risks and buffers

EUR billion

	31-12-2023	31-12-2022	Difference
Total exposures	**275.5**	**339.6**	**-64.1**
Monetary exposures	262.4	327.7	-65.3
Own-account investments and other portfolios	13.1	11.9	1.2
Totale risico* **	**17.4**	**27.1***	**-9.8**
Risk under provision for financial risks (VFR)	15.2	24.8*	-9.5
Other risks	2.1	2.4*	-0.3
Risk buffer	**7.3**	**10.8**	**-3.5**
VFR	0.0	2.3	-2.3
Capital and reserves	7.3**	8.5	-1.1

* The figures as at 31 December 2022 are restated due to a revised calculation of income from non-monetary deposits and market risk on the IMF portfolio.
** It is a resolution of the shareholders' meeting to charge the loss to capital and reserves. The balance sheet shows capital and reserves before appropriation of the result.
*** The risk under the VFR consists of the interest rate risk and the credit risk on purchases in the active asset purchase programmes APP and PEPP, excluding exposures to the Dutch government. All other risks, including the risks from other purchase programmes, own-account investments and liquidity provision to banks (OMOs), are covered by capital and reserves.

We use proprietary risk models to determine the size of our risks. We apply strict guidelines for the governance of these models, which we review annually to keep improving the governance and design of the internal models. In line with good financial sector practices, our models were validated in 2023 by experts from our supervisory divisions who were not involved in their development.

Our gold reserves are part of the official foreign reserves that we manage for the State of the Netherlands under the Bank Act. The gold stock, amounting to 612.45 tonnes, worth €36.8 billion, serves as an anchor of confidence should systemically disruptive events occur. Gold is ideally suited to cover ultimate systemic risks because its value tends to increase in times of financial stress. This concerns situations in which public trust in cash is no longer a given. Gold can play an important role in supporting trust in the State of the Netherlands and in money. Measured by the gold-to-GDP ratio, we are in the top ten gold-holding countries and therefore have a strong anchor of confidence (see Table 5). The gold revaluation reserves serve to absorb negative price shocks. For this reason, revaluation reserves and the gold price risk fall outside our capital policy and regular risk analyses. We manage gold reserves passively.

Table 5 Countries' national gold reserves relative to GDP

Gold volumes in tonnes, value in USD and values of the global top 10 gold-holding countries. Gold reserves and gold price as at June 2023. GDP in USD as at June 2023 and average for 2020-2023.

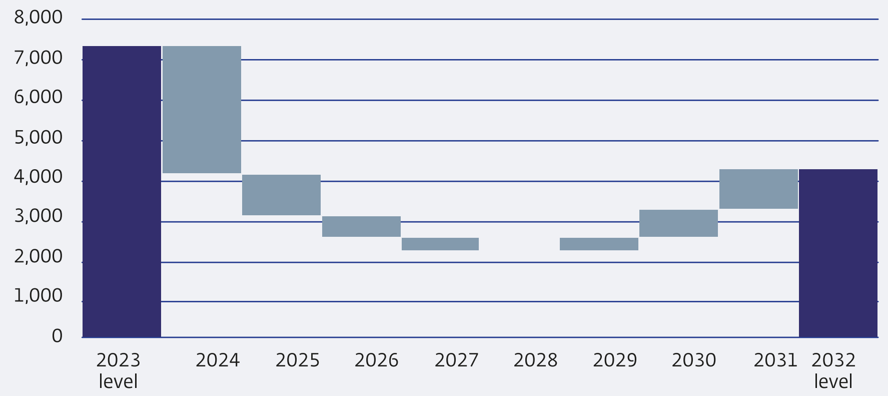
Ranking	Country	Volume (tonnes)	Value (USD)	Value as % of GDP
1	Portugal	383	24.9	9.9%
2	Switzerland	1,040	67.6	8.4%
3	Russia	2,299	149.4	7.9%
4	Italy	2,452	159.4	7.8%
5	France	2,436	158.4	5.6%
6	Germany	3,359	218.3	5.3%
7	Netherlands	612	39.8	4.0%
8	Austria	280	18.2	3.8%
9	Belgium	227	14.8	2.5%
10	United States	8,134	528.7	2.2%

GDP source: IMF.

Capital position

Part of the €3,485 million loss for 2023 is absorbed by the Provision for Financial Risks. The remaining loss of €1,139 million is charged to capital and reserves. Based on the expected interest rate developments as priced by the financial markets, we anticipate further losses over the coming years. From 2029 onwards, however, we expect to return to profitability and see our buffers grow again. The currently expected development in buffers is shown in Figure 10. However, this expectation is surrounded by considerable uncertainty. This is because our cumulative losses are highly dependent on interest rate developments. Fluctuating interest rates could cause cumulative losses to exceed our capital and reserves. Large losses or indeed a capital deficit do not hamper our core task of safeguarding price stability. After all, in principle a central bank cannot default on liabilities denominated in its own currency. This means there is no going concern risk, as with commercial banks. That said, DNB must be sufficiently profitable in the long term to conduct monetary policy in an efficient and credible manner without compromising its independence.

Figure 10 Estimated development of DNB's buffers over the next years



There is little scope to replenish our buffers from profit in the short term. A central bank's profitability is primarily determined by the privilege of issuing money in the form of banknotes. Central banks pay no interest on these issued banknotes. As they issue banknotes, they build up assets which generally yield positive returns. This income, known as seigniorage, results in a profit for central banks. In the short term, however, our losses on monetary operations exceed profits from seigniorage by far. Over time, however, once the previously purchased monetary portfolios have largely disappeared from the balance sheet, the profit contribution from seigniorage should markedly increase.

In December 2023, the Minister of Finance, who represents the shareholder on behalf of the State, and DNB's President, acting on behalf of DNB, reached new agreements on our capital policy. The capital policy describes how we create our buffers and how we allocate our profit or loss for the year to capital, reserves and provisions on the one hand, and dividend distributions on the other. Limited in scope and technical in nature, the policy adjustments are the result of a capital policy review conducted by a joint DNB and Ministry of Finance working group. They help DNB pursue a more consistent capital policy. The policy allows DNB to fully repair its buffers over time by retaining any future profits. This means recapitalisation by the State is therefore currently unnecessary.[4] Our reviewed capital policy guarantees DNB's credibility and independence.

Climate-related risks

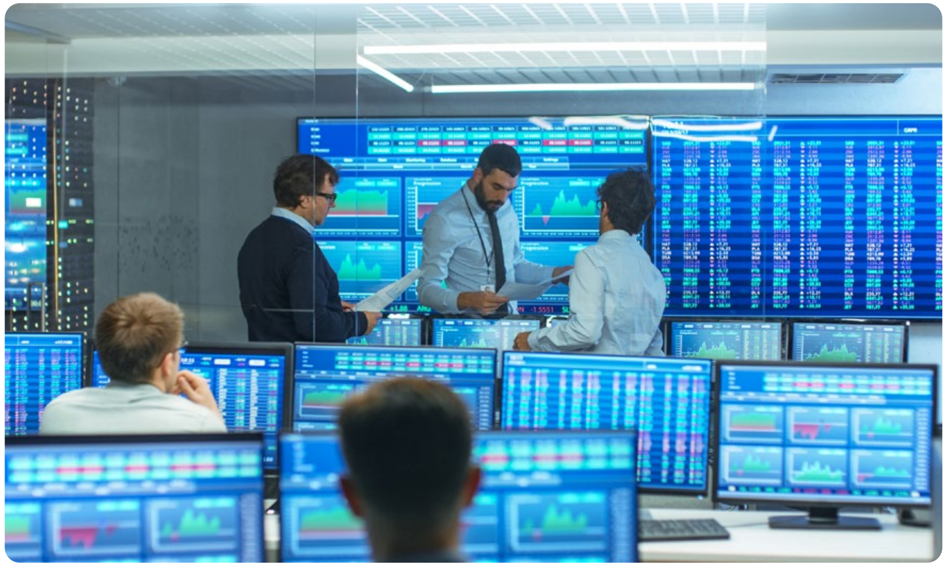
The ECB's Governing Council is continuing to implement the climate action plan presented in 2021. For example, it continued the greening of the corporate bond portfolio (CSPP) by taking into account an enterprise's climate risks when selecting reinvestments. To do so, the ECB uses climate scores based on actual greenhouse gas emissions, enterprises' plans to reduce these and their transparency about emissions. New rules for greening the collateral framework will be introduced in late 2024. The Eurosystem applies counterparty limits for the part of the collateral related to enterprises with high greenhouse gas emissions. These measures aim to mitigate climate risks for the Eurosystem.

In addition to the ECB, we also continue our work on identifying climate-related risks. We therefore conducted a new climate stress test in 2023. This shows that our balance sheet is not immune to the consequences of flood risks. The climate stress test analyses the impact which serious flooding of the rivers in the euro area countries has on our financial risks and expected profitability. Such flooding affects the financial risks to which DNB is exposed through its impact on the economy and an assumed monetary policy response. For example, flooding may lead to an increase in consumer and corporate defaults and to increased government indebtedness. Depending on the monetary policy response, this has a material impact on our balance sheet, causing losses to mount further and financial risks to increase substantially.

Sustainable and responsible investing in our own-account investments

Since 2021, we have had a dual investment target for our own-account investments (around €8 billion as at 31 December 2023. This means we aim to achieve both robust financial returns and a positive impact on environmental and social issues. Around half of these investments are in bonds issued by (semi-) sovereigns, supranational organisations and agencies. We also invest in equities and corporate bonds. Our own-account investments are partly self-managed and partly externally managed. Below we explain our governance, strategy, risk management and objectives and indicators of sustainable and responsible investing(SRI).

4 See the Dutch government's response to the Dutch government's capital policy review (Dutch) of 22 December 2023.



Governance

The Executive Board, after consulting the investment committee, decides once every three years on the strategic asset allocation for our own-account investments, taking SRI considerations into account. These considerations include climate-related risks and the extent to which a sustainable investment policy can be applied in each asset class. Climate-related risks are part of the risk management principles that prescribe how we identify, analyse, mitigate and report risks in our portfolios. The Risk Management Committee (RMC) monitors financial risks, including climate-related risks, from an overall balance sheet perspective and advises the Executive Board on these risks. The investment committee, appointed by the Executive Board, also includes external members. It advises the Asset Management Department in such areas as the development and overall progress of DNB's SRI policy. The Asset Management Department is responsible for the implementation of the SRI policy.

Strategy

In 2023, we updated our SRI policy for our own-account investments and developed a net zero roadmap (see Sustainable and responsible investing at DNB). In our new socially responsible investment policy we have identified seven guiding beliefs. Our net zero roadmap (see Figure 11) sets out how we intend to bring our investments in equities and corporate bonds into line with the Paris Climate Agreement by 2030. Our aim is to reduce the carbon footprint from these investments by 50% by 2030 compared to the baseline year (2019). The net zero roadmap will be implemented in a staggered manner across asset classes, starting with equities in developed markets.

Figure 11 Net zero roadmap – overview of interim targets by asset class

Target 2030	Equity and corporate bond investments have been aligned with the Paris Climate Agreement, and the carbon footprint of these portfolios has been reduced by 50% compared to the base year (2019). Setting this target should contribute to real reductions in carbon emissions, not just lead to a cleaner portfolio.			
	Internal portfolios	**External portfolios**		
	Sovereign bonds	**Equities** Mature markets Discretionary mandates	**Corporate bonds** Investment grade and high-yield funds	**Equities** Emerging markets funds
Target 2025	■ **We invest 20% of our portfolio(s) in green bonds by year-end 2023.** We will then raise this target where possible, depending on developments in the market. ■ We measure climate risks and opportunities within our sovereign bond investments using PRI guidelines.	■ **We explicitly steer towards carbon reduction targets.** With every new mandate, we start with a 50% lower carbon footprint compared to the market, followed by a 7% annual reduction target thereafter. ■ We make targeted **investments** in companies that are taking steps to meet the targets of the Paris Climate Agreement, or that are engaging in activities that contribute to accelerating the transition. ■ We engage in **dialogue** with polluting companies to encourage them to reduce their carbon emissions. We also exercise our voting rights to emphasise the need for transparent and ambitious transition plans. We do this through a V&E manager. ■ We **exclude** companies that (i) are involved in the production of or trade in controversial weapons or produce tobacco (ii) violate the UNGC principles, the OECD guidelines or any of the six EU DNSH principles, (iii) are dependent on fossil revenues and are not taking adequate steps to make the transition. The permitted revenue thresholds are (i) 1% for coal, (ii) 10% for petroleum and (iii) 50% for natural gas.	**The dialogue with our fund managers is proceeding adequately.** We steer towards: ■ Phasing out all coal-linked investments. ■ Monitoring and reporting on the Paris Climate Agreement targets in line with the IIGCC framework.	**The dialogue with our fund managers is proceeding adequately.** We steer towards: ■ Phasing out all coal-linked investments. ■ Monitoring and reporting on the Paris Climate Agreement targets in line with the IIGCC framework.
Target 2025	Where possible, we exclude governments that are not sufficiently committed to the Paris Climate Agreement.	We have reduced the carbon footprint of our equity portfolios by at least 50% compared to the base year (2019).	We explicitly steer towards carbon reduction targets in line with the Paris Climate Agreement commitments.	We explicitly steer towards carbon reduction targets in line with the Paris Climate Agreement commitments.

In June 2023, we launched an initial equity mandate in line with the Paris Climate Agreement. The carbon reduction path which we apply in this mandate is based on the European Commission's EU Paris-Aligned Benchmark (EU PAB) framework: The investments' carbon footprint must be 50% lower than the market benchmark at the outset, decreasing by 7% each year thereafter. The reduction target is initially expressed in direct emissions (scopes 1 and 2), and they will also be expressed in indirect emissions (scope 3) when better data becomes available. To achieve this, we invest in enterprises that are making the transition and we avoid or exclude highly polluting parties that lack transition plans. Through a voting and engagement manager, we also engage with enterprises to encourage them to bring their carbon emissions into line with the goals of the Paris Climate Agreement and we will vote at shareholders' meetings from 2024. We plan to launch two further similar mandates in 2024.

With respect to the externally managed equity and corporate bond portfolios, we work with fund managers that integrate ESG criteria into their investment process, apply voting and engagement and exclude enterprises involved in the production or trading of controversial weapons. We require our fund managers to report on ESG indicators each quarter, including on total emission, carbon footprint and weighted average carbon intensity, (WACI) of the portfolios they manage (see Annex 2 About this report). If these portfolio indicators differ substantially from the investment funds' benchmark or from the previous quarter, we will discuss them with the fund managers. We challenge our current fund managers to phase out all investments in coal-related activities by 2030. We also ask each year what their policies are with regard to nature-related risks and human rights. We analyse whether enterprises in which we invest comply with the UN Global Compact principles. We expect our fund managers to do the same and exclude or effectively challenge enterprises to change their ways in the event of a breach.

For our self-managed bond investments we avoid (semi-) sovereigns, supranational organisations and agencies whose credit rating is below A, that are on the EU, US or Office of Foreign Assets Control sanctions lists, or that violate the UN Global Compact principles. We evaluate bond issuers in terms of financial health and ESG risks. In addition, we strive to invest 20% of our self-managed portfolios in green bonds.

The assessment of the Principles for Responsible Investment (PRI) shows that our SRI approach in our own-investments improved across the board in 2020-2022. In the coming years, in line with our SRI policy, we will examine how the risks of biodiversity loss and human rights violations can be further integrated into our policy.

Risk management

Since the year under review, a climate risk dashboard has been part of our climate risk management framework. We use this dashboard to monitor a range of measures of transition risk, based on the expected greenhouse gas emissions of enterprises in our portfolios and the implied temperature increase. Periodic climate stress tests are also part of the climate risk management framework. The design of our equity mandates is a further way to mitigate climate risks, because we can exclude, for example, investments that are heavily exposed to climate-related risks.

The long-term climate risks for our own-account investments that we identified in the 2021 climate stress test still apply, as the composition of our portfolios has not materially changed. Similarly, there are no significant changes to the scenarios of the Network for Greening the Financial System (NGFS) and the long-term developments of macroeconomic variables. The 'delayed transition' and 'current policies' scenarios have a relatively large impact on market risks in the long term, because many enterprises are vulnerable to physical climate risks. In the 2023 climate stress test (discussed in the 'Climate-related risks' paragraph on page 64) we also examined the immediate impact of flood risks on our own-account investments. European flood risks cause stress among enterprises and financial institutions. This could lead to increasing volatility in financial markets in Europe and, through spillovers, also globally.

In a pilot project prompted by the recommendations of the Task Force for Nature-related Financial Disclosures (TNFD), we examined which sectors have a major impact on nature or are dependent on nature for two portfolios. In doing so, we adopted the TNFD's LEAP (Locate, Evaluation, Assess and Prepare) approach and we used the ENCORE database. For the 'Electric Utilities' sector, an in-depth assessment was prepared by analysing physical and reputational risks at enterprise level. We use the insights gained from the sector analysis and in-depth assessment in our discussions with our external fund managers.

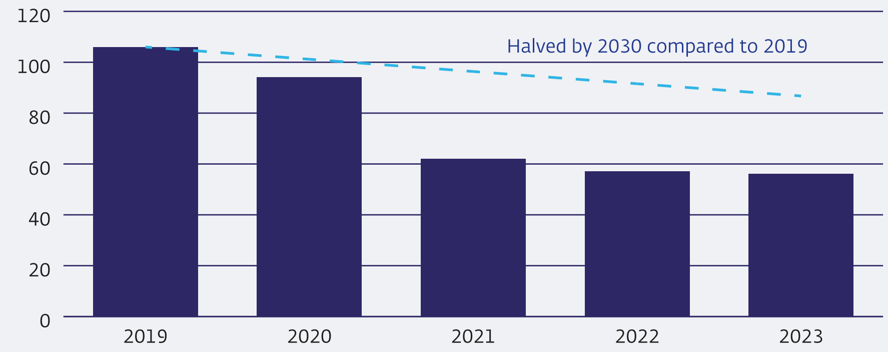
Objectives and indicators

As at 31 December 2023, 26% (€1.1 billion) of self-managed investments in (semi-) sovereigns, supranational organisations and agencies were invested in green bonds. This means we achieved our 2023 target (20%). Investments in green bonds increased by around €560 million compared to 2022. We will maintain our target of 20% green bonds in 2024. In addition, we are exploring options to expand our objective to include other themed bonds, such as sustainability bonds or social bonds.

The carbon footprint (scope 1 and 2) of our investments in equities and corporate bonds decreased further to 53% in 2023 compared to the 2019 baseline year (see Figure 12). Our objective is a 50% reduction in the carbon footprint by 2030. The reduction in the carbon footprint between 2019 and 2021 can be attributed mainly to asset reallocations, with more investments in lower-carbon funds. The reduction in the carbon footprint (tonnes of CO_2 equivalent per millions of euro) between 2021 and 2023 is mainly due to increases in enterprise values. In 2024 we will further identify the share of the change in our carbon indicators (scopes 1 and 2) resulting from changes in enterprise emissions or caused by other factors.

The total carbon emissions, carbon footprint and WACI of externally managed investments in enterprises, supranational institutions and agencies decreased compared to 2022. Table 6 and Figure 13 show the different carbon indicators in accordance with the reporting arrangements made within the Eurosystem. Scope 3 emissions have a major impact on carbon emission volumes. In particular, for investments in supranational institutions and agencies, total carbon emissions increase significantly if scope 3 emissions are included, as most of these are credit institutions whose loans indirectly finance carbon emissions. Scope 3 emission data are often estimated and typically differ from one data provider to the other.

Figure 12 Trend in the carbon footprint



Source: MSCI.

Note: The reduction was calculated on the basis of MSCI data, as these data are also used by our external fund managers. Compared with ISS data used within the Eurosystem to report on carbon indicators (see Table 6), the carbon footprint based on MSCI data was 14% higher in 2023 (see Annex 2 About this report for further notes, under 'Definitions and assumptions for reported indicators' and 'Method and data collection').

Table 6 Carbon emissions from enterprises, supranational institutions and agencies

	Scope 1+2				Scope 1+2+3			
	Total	Supranational institutions and agencies	Corporate bonds	Equities	Totaal	Supranational institutions and agencies	Corporate bonds	Equities
Portfolio size*	5,276	1,685	892	2,699	5,276	1,685	892	2.699
EUR million								
Total absolute CO_2 emissions**	165,290	55	67,623	97,612	1,901,701	43,914	634,605	1,223,181
Tonnes of CO_2	85%	66%	79%	98%	85%	66%	79%	98%
CO_2 emissions per EUR million invested (CO_2 footprint)	37	0	96	37	426	39	904	462
** Tonnes of CO_2/EUR million	85%	66%	79%	98%	85%	66%	79%	98%
Revenue-weighted CO_2 emissions (WACI)**	77	1	150	90	1,143	1,166	1,348	1,079
Tonnes of CO_2/EUR million	85%	66%	79%	98%	85%	66%	79%	98%

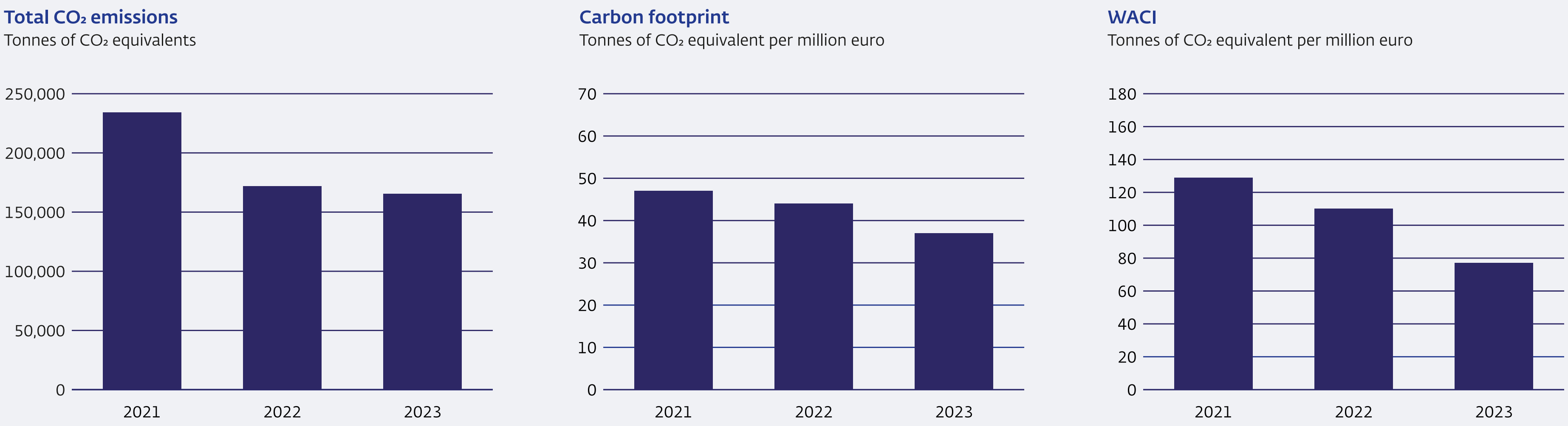
Sources: ISS, World Bank.

Note: The percentages refer to data availability calculated as a weighted percentage.

* Portfolios size as at 31 December 2023. Portfolio size can fluctuate significantly due to market conditions.
** The carbon footprint represents emissions per euro invested.
*** WACI represents emissions per million euro of revenues of the underlying institutions.

See Annex 2 About this report for further notes, under 'Definitions and assumptions for reported indicators' and 'Method and data collection'.

Figure 13 Trends in scope 1+2 carbon emissions from enterprises, supranational institutions and agencies, 2021-2023



Source: ISS.

Note: See Annex 2 About this report for further notes, under 'Definitions and assumptions for reported indicators' and 'Method and data collection'.

Total carbon emissions decreased in our own-account investments in government bonds compared to 2022 (see Figure 14). Relative carbon emissions also declined, partly due to asset reallocations and relatively high GDP growth in the countries in which we hold bonds. The carbon emissions of the underlying countries increased on average by 3%. The emissions measures (consumption and output-related) for government bonds have 100% data coverage.

Table 7 CO2 emissions from government bonds*

	Consumption	Output	
		Excluding LULUCF**	Including LULUCF**
Portfolio size***	2,638	2,638	2,638
EUR million			
Total absolute CO_2 emissions*****	697,027	630,187	577,759
Tonnes of CO_2	100%	100%	100%
CO_2 emissions per EUR million invested (carbon footprint) ****	264	239	219
Tonnes of CO_2/EUR million	100%	100%	100%
Revenue-weighted CO_2 emissions (WACI)******	16	239	219
Tonnes of CO_2/EUR million	100%	100%	100%

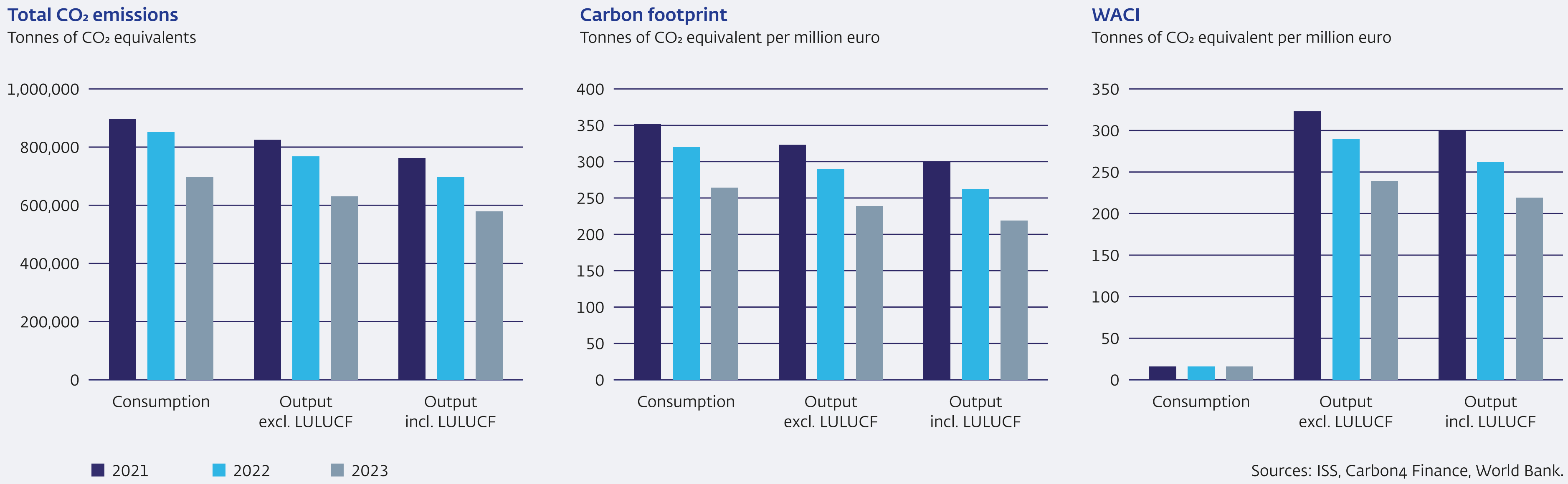
Sources: ISS, World Bank.

Note: The percentages refer to data availability calculated as a weighted percentage.

* This includes treasury bonds and bonds of lower-tier governments such as provinces.
** Including and excluding emissions associated with land use, land use change and forestry (LULUCF)
*** Portfolio size as at 31 December 2023, excluding cash and derivatives. Portfolio size can fluctuate significantly due to market conditions.
**** Several alternatives to revenue are used for WACI. These are total population for consumption and GNP (PPP) for output. Because the carbon footprint uses GNP (PPP) as the attribution factor for all measures, the WACI and carbon footprint of output emissions match. The ECB applied the exchange rate as used by the World Bank (conversion from EUR to USD at 1.053049).

See Annex 2 About this report for further notes, under 'Definitions and assumptions for reported indicators' and 'Method and data collection'.

Figure 14 Trends in carbon emissions from sovereign bonds, 2021-2023



Sources: ISS, Carbon4 Finance, World Bank.

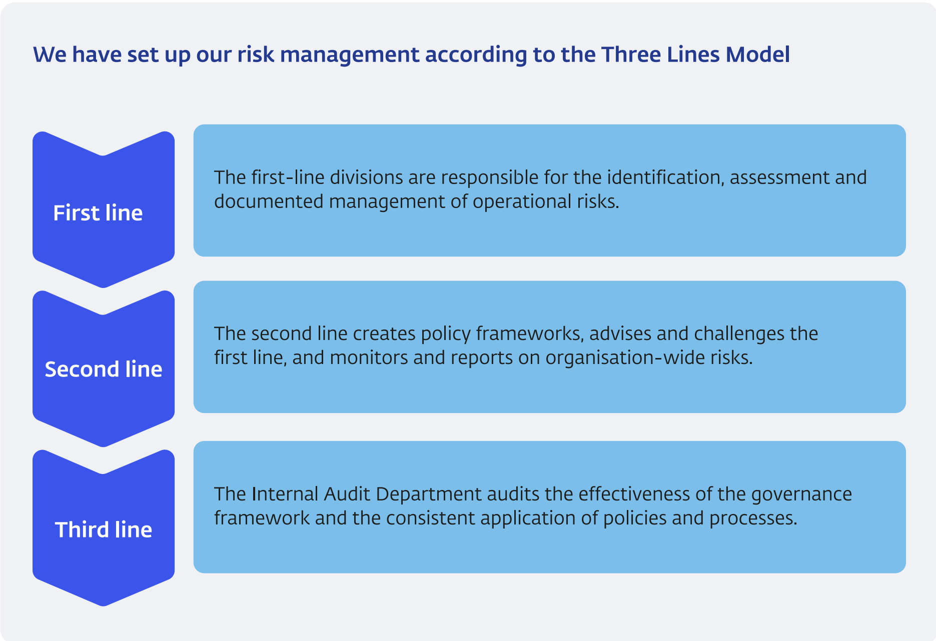
Note: See Annex 2 About this report for further notes, under 'Definitions and assumptions for reported indicators' and 'Method and data collection'.

Risk management

Operational risk management within DNB

Operational risk management within DNB is based on the "three lines" model (see Figure 15). We define operational risks as the probability of an event occurring that would have a negative impact on our finances, operational objectives or reputation due to inadequate or failing internal operational processes, people and systems, or as a result of external events. We distinguish 11 operational risk categories in our integrated ORM framework (see also Figure 16).

Figure 15 Three Lines Model at DNB



Managing operational risks is an ongoing process. Periodic risk assessments are conducted for our organisational objectives and processes, as well as for major projects and changes. This involves recording the risks and, if required, establishing controls. The effectiveness of key management measures is subject to periodical review as well, and adjustments are made where necessary. Once every quarter, the organisation reports to the Operational Risk Board (ORB) on key current operational risks, risk management and incidents. The ORB, which reports to the Executive Board, consists of first- and second-line representatives and is mandated by the Executive Board to accept and monitor operational risks. Deviations from the risk appetite (see below) are also submitted to the ORB and, in some instances, to the Executive Board. Where necessary, the ORB or the Executive Board can make adjustments.

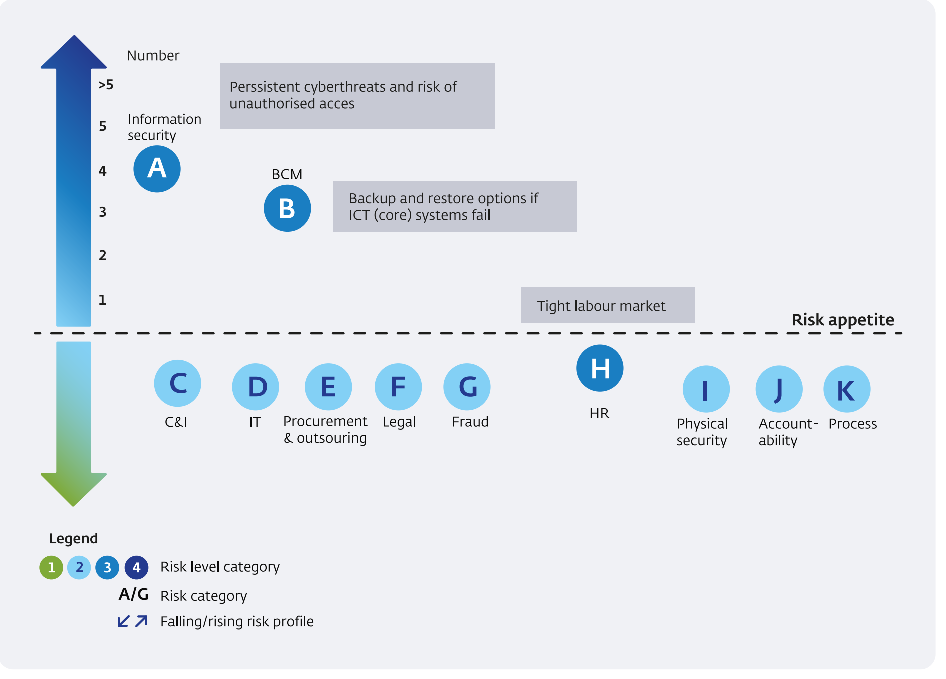
Risk appetite

Our risk appetite statement sets out our willingness to accept different categories of risk, as well as the main risks within these categories. In determining our risk appetite, we use a risk matrix that generates a risk score ranging from "very low" to "very high", based on probability and impact. We have a low to medium risk appetite for most operational risks, which means that we are moderately risk-averse. We determine our risk appetite separately for each risk category.

Operational risks and incidents

The risk rating for each category is shown in the figure below (Figure 16). By discussing risks in a timely manner and taking additional measures where necessary, we were able to keep our risk profile largely within our set risk appetite in 2023. Specific attention was paid to the risk categories with the highest risk profiles: information security risk (A), operational continuity risk (B) and HR risk (H).

Figure 16 Operational risks outside appetite (risk categories A and B, above dotted line)



Our information security risk (Internal Operations) remained high in 2023. Confidentiality, integrity and availability of information are key building blocks for us in the performance of our tasks. Secure, timely and reliable information provision and processing are also crucial. Given the current geopolitical tensions and constant cyberthreats, information security and operational continuity risk are sure to remain high on the agenda in 2024. To guarantee a high level of information security and the continuity of our operational processes, we have launched several programmes, such as the #zeker awareness programme, Role-Based Access Control and Emergency Recovery. Work is also underway to increase the maturity level of the information security good practice. We are making structural improvements to ensure demonstrably reliable service provision. This process is expected to be completed by the end of 2024.

In addition to policy and technical measures, we continuously strive to strengthen our soft controls, such as our risk culture and risk awareness.

HR risk was also persistently high in 2023, but remained within our set risk appetite. This risk is mainly driven by the tightness in the labour market, the impact this has on our ability to fill vacancies and the pressure this puts on our employees. In 2023, the overheated labour market led to above-average outflow. It took more effort to attract and retain new staff for positions that required highly sought after – and thus scarce – expertise. Measures we took to manage these risks included making available an extensive range of training and education opportunities, as well as the implementation of a proactive labour market policy, including a labour market campaign and campus recruitment. These will remain in place in 2024. We have also intensified our international recruitment efforts, while DNB's secondary employment benefits, such as flexible working hours, hybrid working, a four-day working week and personal development opportunities, are being emphasised and promoted to increase our attractiveness to young professionals in particular.
Operational incidents and their follow-up are recorded and handled centrally, in accordance with our incident management process. We consistently works towards creating an open reporting culture while also underlining the importance of reporting operational incidents so that we can learn from them as an organisation. In 2023, a number of incidents were reported that fell outside our risk appetite. These incidents have provided us with important insights that will help us in prioritising additional measures to prevent recurrence.

Key priorities and external risks in 2024

In 2024, we will work to further integrate risk management into our governance by optimising risk governance and strengthening risk culture, awareness and cooperation within our three lines of defence. We will increase the integration of risk management into our governance processes based on an integrated approach and improve management information and reporting in the areas of emerging risks, the effectiveness of controls and KRIs.

Key existing and emerging external risks include geopolitical risks, cyber risks, sustainability risks and labour market risks. Increasing global political tensions and their economic and social consequences have an effect on the physical and cyberthreats we face, adding to the importance of operational continuity risk management and organisational resilience. The rise in cybercrime is reflected in an increasing number of malware, ransomware and phishing attacks, resulting in elevated information security, ICT and operational continuity risks. In addition to ensuring that we have sufficient knowledge in this area, we have also raised awareness of these risks and paid extra attention to the correct and sensible handling of confidential information in recent years. In 2024, we will continue to emphasise the importance of information security and strive to further increase the knowledge and awareness of our employees.

Value creation model annex

Capital	Input	Output	Outcome	Relevant material themes
1 Financial capital	**Financial resources** ■ Financial buffers and gold ■ Contributions from own-account investments, monetary operations, other payment transactions ■ Contributions from supervised institutions	**Operational management** Execution of core tasks and pursuit of DNB2025 ambitions, supported by: ■ Planning and budgeting ■ Monitoring and control ■ Risk management ■ Housing	**Progress in operational management** Execution of core tasks and pursuit of DNB2025 ambitions result in the following financial outcomes: ■ Increase in policy interest rates has lead to a loss of €3.485 billion for DNB (before release of the VFR) ■ €6.7 million budget underrun	■ Price stability in the euro area ■ Financial stability and balanced economic relationships ■ Solidity and future resilience of Dutch financial institutions ■ Managing integrity risks in the Dutch financial sector ■ Public trust in the Dutch financial sector ■ Secure, efficient and accessible payment systems ■ Sustainability challenges ■ Information security
2 Intellectual capital	**Knowledge & skills** ■ Expertise and knowledge development in monetary policy, macroeconomics, supervision, payment systems, financial stability, resolution and statistics ■ Research and statistics ■ Methodologies (including ATM), work programmes and procedures	**Analysis, advice, policy & action** ■ Contributed to tightening of ECB's monetary policy, supported by model-based analysis and intensive stakeholder management ■ Shared DNB Analysis and contributed to policy debate on wage and profit development ■ DNB Analysis: direct relationship between extra borrowing capacity and higher house prices ■ Did not automate monitoring of collective wage development or conduct further research on supply side of housing market ■ Participated in Fiscal Space Working Group ■ Warned against rising public deficit ■ Recalibrated banks' capital buffers ■ Urged banks to adopt prudent capital policies in response to higher credit risk ■ Worked in European forums to set up European supervisory regime based on Basel III ■ Were involved in global policy consultations as FSB Chair, including on turmoil in US banking sector ■ Continued round-table consultations on sector's gatekeeper role ■ Encouraged banks to improve accessibility of payments market ■ Involved in introduction of new pension law: handled first conversion requests ■ Baseline measurement for insurers' resolution plans ■ Mapped benefits and risks of new technology for payment and securities transactions ■ Contributed to research on digital euro ■ Finalised guide on managing climate and environmental risks after sector consultation ■ Prepared pilot on risk score for climate and environmental risks ■ Developed new climate statistics ■ Conducted research on nature degradation, effects of energy prices, well-being ■ Launched CO_2 monitoring system for payment emissions	**Substantive progress on execution of core tasks** ■ CB raised interest rate by 200 basis points to 4% ■ Inflation down from 11.6% in 2022 to 4.1%, still above 2% target ■ DNB projections: public deficit will rise in coming years ■ DNB raised subject of public finances during cabinet formation ■ DNB plea for full accordance with Basel III not successful ■ Solidity of Dutch financial sector at satisfactory level, management of integrity risks still unsatisfactory ■ Banks' buffers slightly higher due to recalibration (CCyB, OSII) ■ Dutch households' trust in financial institutions remained stable in 2023 ■ Public confidence in DNB down slightly, but small uptick in reputation ■ Public confidence in payment systems remained stable at high level ■ Sector beginning to integrate sustainability into business model ■ Digital euro preparation phase started	■ Price stability in the euro area ■ Financial stability and balanced relationships ■ Solidity and future resilience of Dutch financial institutions ■ Managing integrity risks in the Dutch financial sector ■ Public trust in the Dutch financial sector ■ Secure, efficient and accessible payment systems ■ Sustainability challenges ■ Information security

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Capital	Input	Output	Outcome	Relevant material themes
3 **Social capital**	Stakeholder contact	Stakeholder management & influencing	Substantive progress on execution of core tasks	
	■ Collaboration with national stakeholders (represented in over 40 bodies, ■ including AFM, SER, CEC, REA, ■ Financial Stability Committee, FEC, NGFS) ■ Collaboration with international stakeholders, including Eurosystem, ECB, SSM, EBA, SRB, EIOPA, BIS, ESMA, IMF, FSB ■ and NGFS ■ Stakeholder consultations, including those involved in the Pension Accord, users of statistics, Dutch households and the Sustainable Finance Platform ■ ■ Stakeholder contact with local residents, City of Amsterdam and institutions through donation and contribution policy	■ Contributed to tightening of ECB's monetary policy, supported by model-based analysis and intensive stakeholder management ■ Shared DNB Analysis and contributed to policy debate on wage and profit development ■ DNB Analysis: direct relationship between extra borrowing capacity and higher house prices ■ Did not automate monitoring of collective wage development or conduct further research on supply side of housing market ■ Participated in Fiscal Space Working Group ■ Warned against rising public deficit ■ Recalibrated banks' capital buffers ■ Urged banks to adopt prudent capital policies in response to higher credit risk ■ Worked in European forums to set up European supervisory regime based on Basel III ■ Were involved in global policy consultations as FSB Chair, including on turmoil in US banking sector ■ Continued round-table consultations on sector's gatekeeper role ■ Encouraged banks to improve accessibility of payments market ■ Involved in introduction of new pension law: handled first conversion requests ■ Baseline measurement for insurers' resolution plans ■ Mapped benefits and risks of new technology for payment and securities transactions ■ Contributed to research on digital euro ■ Finalised guide on managing climate and environmental risks after sector consultation ■ Prepared pilot on risk score for climate and environmental risks ■ Developed new climate statistics ■ Conducted research on nature degradation, effects of energy prices, well-being ■ Launched CO_2 monitoring system for payment emissions	■ ECB raised interest rate by 200 basis points to 4% ■ Inflation down from 11.6% in 2022 to 4.1%, still above 2% target ■ DNB projections: public deficit will rise in coming years ■ DNB raised subject of public finances during cabinet formation ■ DNB plea for full accordance with Basel III not successful ■ Solidity of Dutch financial sector at satisfactory level, management of integrity risks still unsatisfactory ■ Banks' buffers slightly higher due to recalibration (CCyB, OSII) ■ Dutch households' trust in financial institutions remained stable in 2023 ■ Public confidence in DNB down slightly, but small uptick in reputation ■ Public confidence in payment systems remained stable at high level ■ Sector beginning to integrate sustainability into business model ■ Digital euro preparation phase started	■ Price stability in the euro area ■ Financial stability and balanced relationships ■ Solidity and future resilience of Dutch financial institutions ■ Managing integrity risks in the Dutch financial sector ■ Public trust in the Dutch financial sector ■ Secure, efficient and accessible payment systems ■ Sustainability challenges ■ Information security
4 **Human capital**	Develop HR policy	Implement HR policy	Progress on HR policy	
	HR policy focused on: ■ Recruitment, labour market position ■ Vitality and commitment among employees, including absenteeism and employee satisfaction ■ Diversity and inclusion, including gender balance and cultural diversity ■ Employee talent development	■ Scaled up recruitment activities ■ Developed new labour market campaign ■ Diversity and inclusion targets tightened	■ According to three surveys, DNB remains an attractive employer. ■ Proportion of female staff and managers increased by 2 percentage points, including through recruitment activities and talent management. ■ DNB employees remain satisfied with their work, giving it a 7.4 (7.3 in 2021). Inclusion score has also increased, from 7.1 to 7.4. ■ There are no pay differences between men and women in the same job scale at DNB.	■ DNB and the labour market

Continues on next page

Capital	Input	Output	Outcome	Relevant material themes
5 **Produced capital**	**Housing & digital processes plans** Policy focused on: ■ Housing/renovation ■ Digital working environment ■ Digital processes own operations/core tasks	**Progress on housing & digital processes** ■ Frederiksplein renovation ■ Completion of Cash Centre ■ Organised the digital working environment ■ Digitalised the supervision chain ■ Developed AI policy ■ Tested sector's cyber resilience ■ Migration from Target 2 to T2 ■ Started the transition to our new data landscape and getting Identity & Access Management organised	**Progress on housing & digital processes** ■ Frederiksplein renovation on schedule ■ Cash Centre completed on time and within budget ■ Work for digital workplace completed ■ Digitised up to 75% of supervision chain processes, according to schedule ■ Higher appreciation rating among institutions for digitisation of supervision chain; internal supervision chain more than 75% digitised, as planned ■ Data maturity measurement shows growth from 2.2 in 2022 to 2.7 in 2023, on track to reach 3.0 at the end of 2024	■ Information security
6 **Natural capital**	**Sustainability policy for own operations** ■ Policy focused on: ■ Environmental care, reduction of operational management carbon footprint ■ Reduction of carbon emissions from own-account investments, greening monetary policy ■ Environmental protection in payment systems (security transports/banknote procurement)	**Implement sustainability policy for own operations** ■ We operate in a climate-neutral way by offsetting carbon emissions where we cannot avoid them. ■ Cash Centre only uses fossil fuels for emergency power ■ Monetary Operations has continued the process of greening the corporate bond portfolio (CSPP) ■ Security transport vehicles switched to 100% biofuel ■ First equity mandate in line with Paris Climate Agreement launched	**Progress on integrating sustainability into own operations** ■ ISO 14001-certified environmental management system for Facility Management, Cash Operations and Security, valid until 2025 ■ Cash Centre achieved GPR score of 8.1 on completion ■ Circularity, nature and climate-neutrality used as guiding principles in Frederiksplein renovation ■ Renovated head office on Frederiksplein expected to achieve BREAAM Outstanding certification, a sustainability label for buildings with minimal environmental impact. ■ SRI policy updated and transition plan (net zero roadmap) drawn up for own-account investments ■ Higher carbon offsets in 2023 compared to 2022 due to increase in business travel and inclusion of carbon emissions from remote working.	■ Sustainability challenges

Executive Board, Supervisory Board, Bank Council, Employees Council and governance

As of the date of adoption of the 2023 financial statements, the Executive Board, Supervisory Board, Bank Council and Employees Council were composed as follows:

Executive Board

President:
Klaas Knot (1967, Dutch, economics, end of second term: 2025)

Executive Board Member of Banking Supervision and Chair of Supervision:
Steven Maijoor (1964, Dutch, business economics, end of first term: 2028)

Executive Board Member of Pension Funds and Insurance Supervision:
Gita Salden (1968, Dutch, economics, end of first term: 2031)

Executive Board Member of Monetary Affairs:
Olaf Sleijpen (1970, Dutch, economics, end of first term: 2027)

Executive Board Member of Resolution and Internal Operations:
Nicole Stolk (1969, Dutch, history and Dutch law, end of first term: 2025)

Company Secretary:
Ingrid Ernst (1969, Dutch, Dutch law)

The allocation of responsibilities among the members of the Executive Board is shown in the organisation chart on our website.

The Executive Board in 2023. From left to right: Nicole Stolk, Olaf Sleijpen, Klaas Knot, Steven Maijoor, Else Bos

Else Bos, Executive Board Member and Chair of Supervision, stepped down from her position with effect from 1 February 2024. Gita Salden was appointed Executive Board Member of Pension Funds and Insurance Supervision with effect from 1 June 2024.

Steven Maijoor, Executive Board Member of Banking Supervision, also assumed the duties of Chair of Supervision with effect from 1 February 2024.

Else Bos temporarily suspended her duties due to illness between 12 December 2022 and 18 April 2023. Steven Maijoor took over her duties during that period.

Nicole Stolk will step down as an Executive Board Member effective 15 April 2024.

Supervisory Board

Chair:

Martin van Rijn (1956, Dutch, economics, end of first term: 2027)
Member and Chair as of 1 June 2023
Member of the Remuneration and Appointments Committee

Vice-chair:

Frans Muller (1961, Dutch, business economics, end of first term: 2027)
Member from 1 January 2023 and Vice-chair from 1 September 2023
Chair of the Remuneration and Appointments Committee from 22 March 2023

Government-appointed member:

Annemieke Nijhof (1966, Dutch, chemical technology, end of third term: 2027)
Member of the Audit Committee
Member of the Bank Council

Other members:

Roger Dassen (1965, Dutch, business economics and accountancy, end of second term: 2026)
Chair of the Audit Committee

Marry de Gaay Fortman (1965, Dutch, Dutch law, end of second term: 2024)
Member of the Remuneration and Appointments Committee
Member of the Supervision Committee

Mirjam van Praag (1967, Dutch, econometrics, end of first term: 2024)
Chair of the Supervision Committee from 1 September 2023
Member of the Bank Council on behalf of the Supervisory Board

Artie Debidien (1972, Dutch, information management, end of first term: 2027)
Member from 1 September 2023
Member of the Audit Committee

Remuneration and Appointments Committee

Feike Sijbesma (Chair until 22 March 2023)
Frans Muller (Chair from 22 March 2023)
Wim Kuijken (until 1 June 2023)
Martin van Rijn (from 1 June 2023)
Marry de Gaay Fortman

Audit Committee

Roger Dassen, Chair
Annemieke Nijhof
Margot Scheltema (until 1 September 2023)
Artie Debidien (from 1 September 2023)

Supervision Committee

Margot Scheltema (Chair until 1 September 2023)
Mirjam van Praag (Chair from 1 September 2023)
Marry de Gaay Fortman
Vacancy from 15 September 2023

Changes in 2023

Feike Sijbesma (1959, Dutch, medical biology and business administration, end of third term: 2024).
Chair of the Remuneration and Appointments Committee, stepped down with effect from 22 March 2023.

Wim Kuijken (1952, Dutch, economics, end of second term: 2023).
Chair and member of the Remuneration and Appointments Committee, stepped down with effect from 1 June 2023.

Margot Scheltema (1954, Dutch, international law, end of second term: 2023).
Vice-chair and Chair of the Supervision Committee, member of the Audit Committee, stepped down with effect from 1 September 2023.

Peter Blom (1956, Dutch, economics, end of first term: 2025).
Member of the Supervision Committee, temporarily resigned his duties with effect from 7 November 2022, stepped down with effect from 15 September 2023.

The other positions held by the Executive Board and Supervisory Board members are posted on our website.

Bank Council (composition as at 31 December 2023)

Chair:
Barbara Baarsma
Professor of Corporate Finance and Financial Markets at the University of Amsterdam

Other members:
Tjeerd Bosklopper
Chair of the Dutch Association of Insurers

Tuur Elzinga
Chair of FNV

Piet Fortuin
Chair of CNV

Harry Garretsen
Professor of Economics at the University of Groningen

Nic van Holstein
Chair of the Trade Union Federation for Professionals

Ger Jaarsma
Chair of the Federation of the Dutch Pension Funds

Medy van der Laan
Chair of the Dutch Banking Association

Annemieke Nijhof
Member on behalf of the Supervisory Board as a government-appointed member

Mirjam van Praag
Member on behalf of the Supervisory Board

Sjaak van der Tak
Chair of LTO Nederland

Ingrid Thijssen
Chair of VNO-NCW.

Jacco Vonhof
Chair of Royal Association MKB-Nederland

Representative of the Ministry of Finance:
Christiaan Rebergen, Treasurer-General

Employees Council (composition as at 31 December 2023)

Jos Westerweele (Chair)
Carel van den Berg
Jacqueline van Breugel
Annemarie van Dijk
Bernard de Groes
Saideh Hashemi
Elina Kogan
Marjon Linger-Reingoud
Anja Peerenboom
Aaldert van Verseveld

Sandra Koentjes (Professional Secretary)

Governance

De Nederlandsche Bank (DNB) is a public limited company incorporated under Dutch law. In its capacity as the central bank of the Netherlands, DNB forms part of the European System of Central Banks. In addition, DNB is a supervisory authority. In that capacity it is part of the Single Supervisory Mechanism (SSM). DNB is also the national resolution authority. In this role it participates in the Single Resolution Mechanism (SRM). As the financial sector supervisor and national resolution authority, DNB is an independent public body.

DNB is led by an Executive Board consisting of a President and at least three and at most five Executive Board Members.

The President of DNB is also a member of the Governing Council and the General Council of the European Central Bank (ECB). He is also responsible for the Internal Audit and Communications departments.

The Executive Board Member of Monetary Affairs is responsible for financial stability, financial markets, economic policy and research, payment systems and DNB's statistics function. He is also a Crown-appointed member of the Social and Economic Council of the Netherlands (SER).

Responsibility for the supervision of financial institutions is divided between two Executive Board Members of Supervision. One of them is also Chair of Supervision. The Chair of Supervision is responsible for DNB's supervision policy. The Executive Board Member of Pension Funds and Insurance Supervision represents DNB on the Board of Supervisors of EIOPA, the European Insurance and Occupational Pensions Authority. DNB has a Supervision Council for Financial Institutions, chaired by the Chair of Supervision, to support the internal deliberations and decision-making by the Executive Board Members of Supervision concerning supervisory matters.

The Executive Board Member of Banking Supervision is responsible for supervision of banks with respect to horizontal expertise functions within supervision, such as integrity, and Legal Services. He is a member of the ECB's Supervisory Board, which is responsible for decision-making on the supervision of significant banks in the euro area within the framework of the SSM. He is also a member of the Board of Supervisors of the European Banking Authority (EBA), which is responsible for applying common rules to the supervision of banks in the European Union.

The Executive Board Member of Resolution and Internal Operations is responsible for resolution tasks concerning specific financial enterprises, such as Dutch banks, investment firms, insurers and central counterparties. She also represents DNB on the Single Resolution Board (SRB). DNB has a Resolution Council, chaired by the Executive Board Member of Resolution and Internal Operations, to support the Executive Board's internal deliberations and decision-making concerning resolution matters.
The Executive Board Member of Resolution and Internal Operations is also responsible for managing our internal operations. This includes operational

management, data & information technology, finance & risk management, and the HR department and the Executive Secretariat.

The Supervisory Board oversees the general course of business at DNB and the Executive Board's policy regarding the implementation of Section 4 of the Bank Act 1998. It is also responsible for adopting the financial statements. The Supervisory Board has several other significant powers, including approval of the budget and of certain Executive Board decisions. It consists of at least seven and at most ten members, one of whom is appointed by the Minister of Finance.

DNB has a single shareholder: the Dutch State, which is represented by the Minister of Finance, also in the General Meeting. The Executive Board renders account to the General Meeting by presenting its annual report and financial statements over the past financial year. The General Meeting has significant powers, including approving the financial statements, discharging Executive Board and Supervisory Board members, appointing Supervisory Board members and appointing the external auditor.

The Bank Council functions as a sounding board for the Executive Board. It consists of at least eleven and at most thirteen members. Two members of the Supervisory Board, including the government-appointed member, sit on the Bank Council. With regard to the other members, DNB aims to ensure that the various sectors of society are represented.

Our website provides more information on the governance structure, as also laid down in the Bank Act 1998 and in DNB's Articles of Association and Rules of Procedure. Although the Dutch Corporate Governance Code only applies to listed companies, we strive to implement the principles and best practices from the code as much as possible. We explain our implementation of the code in more detail on our website.

Report of the Supervisory Board

Introduction

In 2023 the Supervisory Board examined the way in which DNB's policies relating to its core tasks and internal operations were carried out, paying special attention to DNB's accommodation programme, its sustainability strategy, developments around the digital euro, evaluation of internal and external communication, its capital position, and its prudential supervision. These and other issues were the reason for the Board's close involvement with DNB throughout 2023.

Composition and appointments

The composition of the Executive Board remained unchanged in 2023. Else Bos has, however, decided to step down as a member of Executive Board from 1 February 2024 to pursue a different career path. From 1 June 2024, she will be succeeded by Gita Salden, who to date is CEO of BNG Bank N.V. Also, Nicole Stolk has decided to leave DNB and join the Albert Schweitzer Hospital as chair of the Executive Board, with effect from 15 April 2024. In the period ahead, the Supervisory Board will consider Nicole's succession on DNB's Executive Board.

The composition of the Supervisory Board changed in 2023. As of the date of adoption of the 2023 financial statements, the Supervisory Board consisted of seven members: Martin van Rijn (Chair), Frans Muller (Vice-Chair), Annemieke Nijhof (government-appointed member), Marry de Gaay Fortman, Roger Dassen, Mirjam van Praag and Artie Debidien.

Three members were succeeded and one member was reappointed in 2023. As of 1 June, Annemieke Nijhof was reappointed by the government as government-appointed member. After having served three, two and two terms, respectively, Feike Sijbesma, Wim Kuijken and Margot Scheltema stepped down as Supervisory Board members in 2023.

The shareholder appointed Frans Muller as a member of the Supervisory Board as of 1 January 2023, and the Board appointed him as its Vice-Chair as of 1 September. Muller succeeded Feike Sijbesma, who stepped down at the General Meeting on 22 March 2023. The Board owes him a great debt of gratitude. Among other things, he contributed greatly to developments at DNB in the area of sustainability. As Chair of the Remuneration and Appointments Committee, he made a significant contribution to appointments to DNB's Executive and Supervisory Boards.

The shareholder appointed Martin van Rijn as Chair of the Supervisory Board as of 1 June 2023. Van Rijn succeeds Wim Kuijken, who stepped down from the Board after three years as a government-appointed member and two terms as Chair. The Board is deeply indebted to him for his commitment, dedication and loyalty to DNB. He made a significant contribution to the continuity and stability of DNB.

The shareholder appointed Artie Debidien as a member of the Supervisory Board as of 1 September 2023. Debidien succeeds Margot Scheltema, who stepped down as member and Vice-Chair of the Board after two terms. The Board is deeply indebted to her for her dedication and commitment. As Chair of the Supervision Committee, she used her insight and critical thinking to help DNB strengthen its supervision of the financial sector. Additionally, as a member and previously as Chair of the Financial Committee, she was instrumental in strengthening the Accommodation Programme, ICT and cost control within DNB.

The Board is very pleased to welcome Muller, Van Rijn and Debidien, and looks forward to continuing to work together in a cooperative atmosphere.

Peter Blom decided to step down as a member of the Supervisory Board from 15 September 2023, having temporarily stepped down with effect from 7 November 2022. The reason for his decision was the unclear outcome of potential proceedings against Triodos Bank. He was CEO of Triodos until 21 May 2021. DNB respects Blom's decision. The Supervisory Board and the

Executive Board of DNB thank him for his constructive contribution during his membership. The Board is considering his succession.

The gender balance on the Executive Board was 40% women and 60% men in 2023. The gender balance on the Supervisory Board is now 57% women and 43% men (for seven members). DNB thus meets statutory targets for gender balance on both boards. In the event of appointment or reappointment, the Board applies the adopted profiles, which include the aim of diversity. It should be noted that the aim of diversity extends beyond gender balance and also takes account of expertise, background, age and competencies. The diversity policy will be further strengthened in the upcoming reporting year. For further details, see the expertise matrix and gender diversity matrix opposite. (Note: The matrices reflect the board's membership at the time of publication of this Annual Report).

The participation of Supervisory Board members in the Bank Council remained unchanged in 2023. Annemieke Nijhof continued her membership as a government-appointed Supervisory Board member throughout 2023. Mirjam van Praag stayed on as Bank Council member appointed by the Supervisory Board throughout 2023.

The composition of the Supervisory Board, its committees and the Executive Board is provided from page 80 of this Annual Report. The profiles of the Executive and Supervisory Board members, the Members of the Supervisory Board including dates of appointment and terms of office, and the other positions the Members of the Supervisory Board hold (in Dutch) can be found on DNB's website.

Area of expertise	Van Rijn	Muller	Nijhof	De Gaay Fortman	Van Praag	Dassen	Debidien
Management							
Management and organisation	■	■	■	■	■	■	■
Accounting & internal control structure						■	
Stakeholder management	■	■	■	■	■	■	■
Risk management		■		■	■	■	■
Outsourcing	■	■				■	■
Legal affairs and corporate governance	■			■			
Core tasks							
Macroeconomic issues	■	■			■	■	
Financial stability and institutions				■	■		
Cash and payment systems							■
Statistics					■		
Strategic issues							
Sustainability		■	■	■		■	
Digital IT	■	■				■	■
Public interest	■	■	■	■	■		

Age brackets

45 – 55
- Debidien

56 – 65
- Nijhof
- De Gaay Fortman
- Van Praag

Age brackets

56 – 65
- Dassen
- Muller

66 – 75
- Van Rijn

Duties

The average attendance rate at Supervisory Board meetings was high (approximately 95%), as shown in the table below. None of the members were regularly absent. The table below specifies the attendance rates of each of the members in the plenary Supervisory Board (SB), Remuneration and Appointments Committee (RAC), Audit Committee (AC) and Supervision Committee (SC) meetings. Prior to each plenary meeting, there was always a discussion without the Executive Board being present.

Member	SB	RAC	AC	SC
Wim Kuijken	4/4	3/3		
Margot Scheltema	5/5		2/2	3/3
Feike Sijbesma	2/3	0/0		
Marry de Gaay Fortman	8/8	11/11		5/5
Annemieke Nijhof	7/8		5/6	4/5
Roger Dassen	8/8		6/6	
Mirjam van Praag	7/8			5/5
Frans Muller	8/8	11/11		
Martin van Rijn	5/5	7/8		
Artie Debidien	3/3		4/4	

The Chair of the Supervisory Board and the President of DNB were in frequent contact about issues concerning the Supervisory Board's work and developments concerning DNB. The activities of the three Supervisory Board committees are described below on pages 88-91. As part of its supervision of the general course of business at DNB, the Supervisory Board discussed the DNB-wide financial results and accountability for 2023 in the Audit Committee and in its plenary meetings. The Supervisory Board discussed the results and accountability for 2023 with regard to independent public body (ZBO) activities in the Audit Committee, Supervision Committee and plenary meetings. These discussions were based on quarterly financial reports, the management letter and audit report from the external auditor and the internal audit department's (IAD) quarterly reports.

Another major concern for the Board in 2023 was the size of the balance sheet items related to monetary operations and the associated risks. The year under review was marked by high inflation and, as a result, monetary policy tightening. Interest rate increases led to a negative result for 2023 prior to a release of €3,485 million from the provision for financial risks (VFR), and negative results are also expected in the years ahead. The Board welcomes the new agreements made between DNB and the Minister of Finance as representative of the State as shareholder. Limited in scope and technical in nature, the changes made are the result of a working group's capital policy review and help DNB pursue a more consistent capital policy. This policy allows DNB to fully repair its buffers over time by retaining any future profits. To absorb part of the negative result, the Executive Board, with the support of the Supervisory Board, decided to release €2,346 million from the VFR. The loss for 2023 came to €1,139 million (2022: €0). There was no addition the general reserve and no dividend is to be paid. No gold sales took place in 2023.

The Supervisory Board discussed the 2023 financial statements with the Executive Board at length, in the presence of the external auditor. It then adopted the financial statements and submitted them to the shareholder for approval. The Supervisory Board discussed the budget for 2024, including the independent public body budget, and approved it on 24 November 2023. The Supervisory Board established that the internal operational and control instruments, such as the planning and control cycle and the risk management and control system, operated effectively.

Following deliberation by the Supervisory Board, the Executive Board and several members of the Supervisory Board reviewed the independent public body budget in the annual budget meeting with the Ministry of Finance. The Supervisory Board is pleased to see that the Executive Board practises transparency in the budgeting process and engages in dialogue about it with its main stakeholders. The Supervisory Board also believes DNB exercises its supervision decisively and intrusively, formulating unambiguous priorities. Based on available resources, the Executive Board and Supervisory Board continuously look for effective and efficient solutions to execute DNB's core tasks and to further strengthen its internal operational management. The Supervisory Board supports the Executive Board's approach of absorbing increased workloads or new activities within the budget where possible. A case in point is the transition to the new pension system, for which DNB absorbs some of its tasks by setting priorities for its ongoing pension supervision and temporarily increasing its risk tolerance.

The Supervisory Board continued to devote particular attention to DNB's internal organisation in 2023. On various occasions, the Supervisory Board and Executive Board discussed DNB's Digital Agenda and the accommodation programme in considerable depth. The DNB Cash Centre in Zeist was commissioned in 2023. Also, preparations for the return to the Frederiksplein headquarters are in full swing. The Supervisory Board also discussed internal operational management, stressing the importance of a balanced weighing of cost efficiency, sustainability, security and transparency. The Board also engaged the division directors in dialogue to enhance the interaction between the Supervisory Board and the broader organisation. Furthermore, the Supervisory Board engaged with the Executive Board on the evaluation of DNB's internal and external communication and the implementation of the announced measures following up on the slavery study. Finally, the Supervisory Board and Executive Board discussed progress on the DNB2025 strategy, with a focus on the digital transformation and sustainability. With regard to sustainability, the Supervisory Board and Executive Board discussed DNB's updated sustainable finance strategy. DNB is on track for integrating sustainability into all core tasks by 2025, in line with its ambition. For its own investments, DNB is bringing its investments in equities and corporate bonds in line with the Paris Climate Agreement. By regularly engaging the Executive Board in dialogue on themes such as labour market positioning, diversity and inclusion, process and programme management, and DNB's risk management, the Supervisory Board seeks to contribute to strengthening DNB's corporate culture and improving the quality of its performance. In this context, the Supervisory Board welcomes initiatives such as the DNB culture programme, support for employee networks and the adoption of targets for diversity among employees and managers.

At each of its meetings, the Supervisory Board addressed the most important trends in DNB's areas of responsibility, derived from the periodic update on current affairs, with the Executive Board members, who informed the Supervisory Board about the international forum meetings they attended.

During a retreat, the Board discussed with the Executive Board two key topics: technological developments, including artificial intelligence (AI), both in the financial sector and at DNB, and the economic and financial risks of geo-economic fragmentation. On the topic of technology, the Board's discussions focused on recent advances at supervised institutions and the resulting supervisory challenges for DNB going forward. Internal technological advances at DNB, potential applications of AI, and opportunities for collaboration with the financial sector and other central banks were also explored. Regarding geo-economic fragmentation, discussions centred on the vulnerability of the Netherlands to the fragmentation of the global economy, its impact on the performance of DNB's core tasks, and strategies to ensure the continued and effective fulfilment of these tasks.

Members of the Supervisory Board attended consultation meetings between the Executive Board and the Employees Council. The Chair of the Supervisory Board and the Chair of the Audit Committee met periodically with the head of the department responsible for compliance and integrity, who also attended the full Board's discussion of the periodic compliance report. The Chair of the Audit Committee regularly met with the Head of the IAD and the external auditor. The Supervisory Board assessed its own performance in 2023 and discussed the results at a plenary meeting without the Executive Board being present. Among other things, the Supervisory Board looked at the provision of information to the Board, the Board's involvement in strategic issues, its relationship with the Executive Board, and the balance between the functioning of the committees and the plenary meetings.

The Supervisory Board notes that communication within the Board and between the Board and the Executive Board is open, and that the provision of information is effective, with an increasing number of dilemmas being presented. The Supervisory Board sees room for improvement by discussing strategic questions more frequently and in more depth in its plenary meetings. At this meeting, the Supervisory Board also discussed its cooperation with the Executive Board, the individual members of the Executive Board, and the Executive Board's performance.

Audit Committee

In 2023, the Audit Committee consisted of Roger Dassen (Chair), Margot Scheltema (until 1 September), Annemieke Nijhof and Artie Debidien (from 1 September). Meetings were held in the presence of the Executive Board Member of Resolution and Internal Operations, the external auditor, the Head of IAD, the Director of the Finance & Risk Management Division and several internal officers from the relevant areas.

The Audit Committee extensively discussed the financial statements, the audit plan and the external auditor's findings, and advised the Supervisory Board to adopt the 2023 financial statements and to approve the independent public body report for 2023. Furthermore, the Audit Committee discussed the 2024 DNB-wide budget and the 2024 independent public body budget at length with the Executive Board. The Audit Committee advised the Supervisory Board to approve both budgets. In 2023, as in previous years, the Audit Committee examined the external auditor's report and management letter, establishing that the Executive Board acted adequately on the findings and recommendations set out in the management letter.

The Committee discusses current affairs relating to DNB's internal operations with the Executive Board Member of Resolution and Internal Operations at each meeting, with the themes of accommodation, outsourcing of ICT services, information security and cybersecurity, risk management and control over DNB's digital agenda being key priorities for the Audit Committee.

In 2023, the Audit Committee's focus included the organisation Internal Operations. Internal Operations performs its tasks effectively, and its size is comparable to that of other central banks. In addition, the Audit Committee, in tandem with the Supervision Committee, looked at the progress of the digital supervision strategy, zooming in on the follow-up on recommendations arising from the Risk Management & Strategy Department's assessment. The Audit Committee also devoted attention to demonstrable control in information security and the Identity & Access Management programme. The Audit Committee also addressed cybersecurity at DNB in a thematic session. In addition, it discusses the quarterly reports on compliance and integrity and the quarterly financial reports. Throughout 2023 the Audit Committee regularly discussed the progress made on DNB's accommodation programme, specifically emphasising the business case update. The Committee regularly meets with relevant representatives of the lines of defence within DNB and with the external auditor. DNB must report on its application of the Corporate Governance Code of 20 December 2022 for the first time for the 2023 financial year. It will publish this document simultaneously with the 2023 annual report following approval by the Executive and Supervisory Boards.

Remuneration and Appointments Committee

In 2023, the Remuneration and Appointments Committee consisted of Feike Sijbesma (Chair, until 22 March 2023), Wim Kuijken (until 1 June 2023), Marry de Gaay Fortman, Frans Muller (member from 1 January 2023, Chair from 22 March 2023) and Martin van Rijn (member from 1 June 2023).

The Committee devoted extensive attention to the composition of the Executive Board, resulting in Gita Salden's appointment effective from 1 June 2024, succeeding Else Bos, who stepped down with effect from 1 February 2024. The Remuneration and Appointments Committee also devoted attention preparing for the appointment of a Chair and a member with a digital profile to join the Supervisory Board, which resulted in the

appointment of Martin van Rijn as of 1 June 2023 and Artie Debidien as of 1 September 2023, respectively.
The Committee spoke with the President about his performance and that of the other Executive Board members, following the Supervisory Board's annual evaluation. A periodic meeting between the Chair of the Supervisory Board and the shareholder is part of the Supervisory Board's role in compliance matters, for instance when assessing the compatibility of secondary positions.

Supervision Committee

In 2023, the Supervision Committee consisted of Margot Scheltema (Chair, until 1 September 2023), Marry de Gaay Fortman and Mirjam van Praag (throughout 2023, Chair from 1 September 2023). Annemieke Nijhof also participated in the meetings, which were held in the presence of DNB's two Executive Board Members of Supervision and several officers from the relevant areas. The Supervision Committee's agenda is based in part on an annual agenda and in part on current events. The meetings focused on a number of practical cases, current policy issues and gaining a deeper understanding of various supervisory topics. Among other things, the Supervision Committee looked at the progress of the digital supervision strategy, highlights from the fit and proper assessments, collaboration with other supervisory authorities, the follow-up to the "From recovery to balance" report on compliance with the Anti-Money Laundering and Anti-Terrorist Financing Act, the impact of the pension overhaul on supervision, and the redesign of the supervisory organisation. In addition, the Supervision Committee, in tandem with the Audit Committee, looked at the progress of the digital supervision strategy, zooming in on the follow-up to recommendations arising from the Risk Management & Strategy Department's assessment. As part of the Supervisory Board's monitoring of DNB's policy in respect of its prudential supervision, the Supervision Committee exchanged views with the Executive Board about institution-specific supervision cases and their evaluation to which the latter devoted particular attention in that period, to the extent relevant to safeguarding the quality and effectiveness of DNB's supervision policy. The Supervision Committee, like the Audit Committee, advised the Supervisory Board to approve the independent public body report for 2023 and the independent public body budget for 2024.

Statement on independence

The Regulation on Incompatible Offices and the Regulation on Conflicts of Interest apply to Supervisory Board members without restriction. Supervisory Board members are not employed by DNB and were not a DNB employee at any time in the five years preceding their appointment, nor do they have any relationship with DNB from which they could obtain personal gain. Supervisory Board members receive a fixed annual fee that is not related to DNB's results in any given year. All Supervisory Board members are independent within the meaning of the Dutch Corporate Governance Code. Any potential secondary position is assessed on the basis of the Regulation on Incompatible Offices and submitted to DNB's department responsible for compliance and integrity for advice. This procedure was also followed in 2023, for both Supervisory Board members and Executive Board members.

Concluding words

The Supervisory board looks back on a challenging year. In 2023, in addition to the ongoing impact of the war in Ukraine, a new conflict in the Middle East caused both profound humanitarian crises and significant economic uncertainties for Dutch society. Against the backdrop of these geopolitical tensions and the aftermath of the COVID-19 pandemic, Europe faced persistently high inflation. In response, the European Central Bank implemented an unprecedented series of interest rate hikes, which helped reduce inflation.

The Board notes that over the past year, despite the exceptional circumstances DNB maintained its commitment to the performance of its core tasks and internal operational management. The Supervisory Board would like to thank DNB's staff and its Executive Board for their contribution to sustainable prosperity in the Netherlands and looks forward to its continued cooperation with the Executive Board in 2024.

Amsterdam, 13 March 2024
Supervisory Board
De Nederlandsche Bank N.V.

Martin van Rijn, *Chair*
Frans Muller, *Vice-Chair*
Annemieke Nijhof, *government-appointed member*
Marry de Gaay Fortman
Roger Dassen
Mirjam van Praag
Artie Debidien

2023 Financial statements

Balance sheet as at 31 December 2023 (before appropriation of the result)

Millions

		31 December 2023	31 December 2022
	Assets	EUR	EUR
1	Gold and gold receivables	36,780	33,595
2	Claims on non-euro area residents denominated in foreign currency	26,382	25,989
	2.1 Receivables from the International Monetary Fund (IMF)	*21,169*	*21,150*
	2.2 Balances held with banks and investments in securities, external loans and other external assets	*5,213*	*4,839*
3	Claims on euro area residents denominated in foreign currency	540	169
4	Claims on non-euro area residents denominated in euro	213	122
5	Lending to euro area credit institutions related to monetary policy operations denominated in euro	8,560	62,145
	5.1 Main refinancing operations	*300*	*250*
	5.2 Longer-term refinancing operations	*8,260*	*61,895*
	5.3 Fine-tuning reverse operations	-	-
	5.4 Structural reverse operations	-	-
	5.5 Marginal lending facility	-	-
	5.6 Credits related to margin calls	-	-
6	Other claims on euro area credit institutions denominated in euro	4	-
7	Securities of euro area residents denominated in euro	204,123	211,793
	7.1 Securities held for monetary policy purposes	*201,531*	*209,285*
	7.2 Other securities	*2,592*	*2,508*
8	Intra-Eurosystem claims	113,570	151,133
	8.1 Participating interest in the ECB	*622*	*622*
	8.2 Claims equivalent to the transfer of foreign reserves to the ECB	*2,364*	*2,364*
	8.3 Claims related to the issuance of ECB debt certificates	-	-
	8.4 Net claims related to the allocation of euro banknotes within the Eurosystem	*63,913*	*67,528*
	8.5 Other intra-Eurosystem claims (net)	*46,671*	*80,619*
9	Other assets	4,002	3,150
	9.1 Euro area coins	*0*	*0*
	9.2 Tangible and intangible fixed assets	*383*	*300*
	9.3 Other financial assets	*140*	*153*
	9.4 Off-balance sheet instruments revaluation differences	*4*	-
	9.5 Accruals and prepaid expenses	*3,372*	*2,692*
	9.6 Other investments	*103*	*5*
	Total assets	**394,174**	**488,096**

Millions

	Liabilities	31 December 2023 EUR	31 December 2022 EUR
1	Banknotes in circulation	83,815	84,756
2	Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	229,323	291,632
	2.1 Current accounts (covering the minimum reserve system)	*15,433*	*14,463*
	2.2 Deposit facility	*213,890*	*277,169*
	2.3 Fixed-term deposits	-	-
	2.4 Fine-tuning reverse operations	-	-
	2.5 Deposits related to margin calls	-	-
3	Other liabilities to euro area credit institutions denominated in euro	807	589
4	Liabilities to other euro area residents denominated in euro	10,540	16,742
	4.1 General government	*7,153*	*13,917*
	4.2 Other liabilities	*3,387*	*2,825*
5	Liabilities to non-euro area residents denominated in euro	9,547	32,425
6	Liabilities to euro area residents denominated in foreign currency	-	-
7	Liabilities to non-euro area residents denominated in foreign currency	-	-
8	Counterpart of special drawing rights allocated by the IMF	16,060	16,535
9	Intra-Eurosystem liabilities	-	-
	9.1 Liabilities related to the issuance of ECB debt certificates	-	-
	9.2 Other intra-Eurosystem liabilities (net)	-	-
10	Other liabilities	394	1,673
	10.1 Off-balance sheet instruments revaluation differences	-	*266*
	10.2 Accruals and deferred income	*322*	*1,198*
	10.3 Other investments	*72*	*209*
11	Provisions	23	2,378
12	Revaluation accounts	36,321	32,883
13	Capital and reserves	8,483	8,483
	13.1 Issued capital	*500*	*500*
	13.2 General reserve	*7,973*	*7,968*
	13.3 Statutory reserve	*10*	*15*
14	Profit/(loss) for the year	(1,139)	0
	Total liabilities	**394,174**	**488,096**

Profit and loss account for the year ended 31 December 2023

Millions

			2023 EUR		2022 EUR
1	Interest income	11,835		2,887	
2	Interest expenses	(13,320)		(2,957)	
	Net interest income		**(1,485)**		**(70)**
3	Realised gains/(losses) from financial operations	258		285	
4	Write-downs on financial assets and positions	(36)		(213)	
5	Transfer to/(from) provision for financial risks	2,346		460	
	Net result from financial operations and write-downs		**2,568**		**532**
6	Fees and commissions income	15		18	
7	Fees and commissions expense	(17)		(18)	
	Net fees and commissions income/(expense)		**(2)**		**0**
8	Income from equity shares and participating interests		13		13
9	Net result of monetary income pooling		(1,943)		(212)
10	Other income		246		222
	Total net income		**(603)**		**485**
11	Staff costs		(296)		(258)
12	Other administrative costs		(187)		(196)
13	Depreciation and amortisation of tangible and intangible fixed assets		(22)		(25)
14	Banknote production costs		(31)		(8)
15	Other expenses		0		0
16	Capitalised software costs		0		2
17	Corporate income tax		0		0
	Profit/(loss) for the year		**(1,139)**		**0**

Notes to the balance sheet as at 31 December 2023 and the profit and loss account for the year 2023

1 Accounting policies

The financial statements are prepared in accordance with the models and accounting policies applying to the European Central Bank (ECB) and the European System of Central Banks (ESCB) (hereafter: ESCB accounting policies[1]) and the harmonised disclosures to the balance sheet and the profit and loss account prepared by the Eurosystem. This is possible under the exemption provisions of Section 17 of the Bank Act 1998. Where Section 17 does not provide any exemption or where the ESCB accounting policies or harmonised disclosures do not cover the subject, the financial statements are prepared in accordance with the provisions of Part 9 of Book 2 of the Dutch Civil Code, which have been elaborated in the Dutch Accounting Standards (*Richtlijnen voor de Jaarverslaggeving – RJ*). All individual items in the balance sheet and profit and loss account are recognised in accordance with the ESCB accounting policies, with the exception of depreciation of tangible fixed assets and the provision for employee benefits. As of 2023, depreciation and major maintenance of tangible fixed assets will follow the components approach prescribed by the Dutch Accounting Standards, which is more in line with economic reality. Remuneration is disclosed in accordance with the provisions of the Public and Semi-public Sector Executives Remuneration (Standards) Act (*Wet normering topinkomens – WNT*).

The ESCB accounting policies are broadly in line with the Dutch Generally Accepted Accounting Principles (GAAP). In deviation from Part 9 of Book 2 of the Dutch Civil Code:

a. unrealised gains from assets and liabilities measured at revalued amounts are recognised as set out under 'Revaluation' below;
b. the balance sheet format differs from that set out in the Financial Statements Formats Decree;
c. no cash flow statement is included;
d. a Provision for Financial Risks may be established; and

Besides depreciation and major maintenance of tangible fixed assets, the provisions of Part 9 of Book 2 of the Dutch Civil Code are reflected in the financial statements mainly in the disclosures relating to the following balance sheet and profit and loss account items:

a. capital and reserves
b. participating interests
c. events after the balance sheet date
d. off-balance sheet rights and obligations
e. revaluation accounts
f. realised gains/(losses) from financial operations
g. number of employees
h. fees paid to the external auditor
i. remuneration (also in accordance with the WNT)

Principal accounting changes from the previous financial year

DNB has changed its accounting policy for the depreciation of tangible fixed assets and the accounting treatment of major maintenance of property, plant and equipment. From the financial year 2023 onwards, DNB applies component depreciation accounting. As a result, the depreciation periods differ from the standard depreciation periods under the ESCB accounting policies which DNB applied up to the financial year 2022. These were 25 years for property and 10 years for plant and equipment. Major maintenance was

1 ECB/2016/34 as amended by ECB/2019/34 and ECB/2021/51.

capitalised after the maintenance had been carried out and depreciated over 10 or 25 years. The new components are treated on the basis of their useful life, matching the drive to make property, plant and equipment more sustainable, and they range between 7 and 40 years. Components are also recognised and depreciated separately for major maintenance. DNB depreciates trucks over a period of 8 years. Component depreciation accounting is more in line with economic reality. The depreciation periods for furniture, computer hardware and software remains unchanged at 10, 4 and 4 years respectively.

The changed accounting policy has a minor impact, as the DNB Cash Centre (DCC) has been newly constructed, while the head office at Frederiksplein was subject to almost full accelerated depreciation in 2020 due to the renovation. Likewise, its impact on tangible fixed assets is difficult to specify in great detail, as historical amounts cannot be allocated to significant components with a sufficient degree of accuracy. For this reason, DNB applies the transitional provision in the Dutch Accounting Standards, meaning that it accounts for the change in accounting policy prospectively. Consequently, the remaining book value of the Frederiksplein head office has not been restated as at 31 December 2023. No distinction between significant components will be made until they are replaced. The remaining book value of the Frederiksplein head office under the previous accounting policy, excluding the value of land not subject to depreciation, is €5.6 million. Its residual depreciation period was approximately 12 years.

For further details of the changed depreciation periods, see 'Tangible and intangible fixed assets' on page 100.

Securities held for monetary policy purposes

Securities held for monetary policy purposes are valued at amortised cost, subject to impairment. See the breakdown in the note to asset item 7.1 'Securities held for monetary policy purposes' on page 110 for further details.

Securities not held for monetary policy purposes and investment funds

Marketable securities held for other than monetary policy purposes are valued at the closing price prevailing on the next-to-last trading day of the year. Options embedded in securities are not separated for valuation purposes.

Marketable investment funds and portfolios that are externally managed and strictly replicate the performance of an index-linked fund are valued at market price. Valuation is on a net – fund – basis and not on the basis of the underlying assets, provided that the investments meet certain predetermined criteria, broadly speaking in relation to the degree of influence of DNB on the day-to-day operations of the fund, the legal status of the fund and the way in which returns are evaluated.

Revaluation

Revaluation differences arising from price differences in respect of securities not held for monetary policy purposes are determined on a code-by-code[2] basis. Revaluations arising from exchange rate differences are determined on a currency-by-currency basis. Unrealised revaluation gains are added to the item 'Revaluation accounts'. Unrealised revaluation losses are charged to the 'Revaluation accounts' item to the extent that the balance of the relevant revaluation account is positive. Any shortfall is taken to the profit and loss account at year-end. Price revaluation losses on a security are not netted against price revaluation gains on another security or exchange rate revaluation gains. There is no netting between the revaluation results of different marketable investment funds. Exchange rate revaluation losses on any one currency are not netted against exchange rate revaluation gains on any other currency or against price revaluation gains. For gold and gold receivables, no distinction is made between price and currency revaluation. Holdings of special drawing rights (SDRs), including designated individual foreign exchange holdings underlying the SDR basket held to replicate the SDRs for risk hedging purposes are treated as one holding.

2 The ESCB accounting policies define code as international securities identification number/type.

Gold and gold receivables

Gold and gold receivables are valued at the price which the ECB publishes on the last trading day and revalued as set out under 'Revaluation'.

Conversion of foreign currencies

The financial statements are presented in euro (EUR/€), which is DNB's functional and presentation currency. On- and off-balance sheet rights and obligations denominated in foreign currency are converted into euro at the exchange rates which the ECB publishes on the last trading day and revalued as set out under 'Revaluation'. Income and expense denominated in foreign currency are converted at the exchange rates which the ECB publishes on the transaction dates.

Repurchase and reverse repurchase transactions

A repurchase transaction (repo) is a spot sale of securities hedged by a forward purchase of the same securities. Cash receipts from the spot sale are presented in the balance sheet as a deposit. In the light of the forward purchase, the securities continue to be recognised as assets. Hence, the amount involved in the forward purchase is disclosed in the balance sheet under liabilities. A reverse repurchase transaction (reverse repo) is regarded as lending. The securities received as collateral are not recognised in the balance sheet and do not, therefore, affect the balance sheet position of the portfolios concerned.

Other financial instruments

Other financial instruments include currency forwards and currency swaps, as well as interest rate swaps and futures. On initial recognition, currency forwards and currency swaps are valued at their spot rates. Subsequent differences between spot and forward rates are amortised and recognised in the profit and loss account. This allows their value to evolve towards the forward rate over time. Interest rate swaps are valued at market rates. Futures are settled on a day-to-day basis. Currency positions are included in the revaluation accounts and revalued as set out under 'Revaluation'.

Intra-ESCB and intra-Eurosystem claims and liabilities

Intra-ESCB balances are the result of cross-border payments within the European Union (EU) settled in euro by the central banks. Such transactions are for the most part initiated by private institutions. Most are settled within TARGET[3] and give rise to bilateral balances in the TARGET accounts held by the EU central banks. Payments from the ECB and the NCBs also affect these positions. All settlements are automatically aggregated and adjusted to a single NCB position vis-á-vis the ECB. Movements in TARGET accounts are reflected daily in ECB and NCB accounts. DNB's position vis-à-vis the ECB arising from TARGET transactions is presented, together with other euro-denominated positions within the ESCB (such as claims relating to interim income distributions to the NCBs and monetary income), as a net asset or liability item under 'Other intra-Eurosystem claims/liabilities (net)' on DNB's balance sheet. Positions held within the ESCB vis-à-vis NCBs outside the euro area arising from TARGET transactions are presented in 'Claims on/liabilities to non-euro area residents denominated in euro'.

Intra-Eurosystem positions arising from DNB's participating interest in the ECB are reported under 'Participating interest in the ECB'. This item comprises (i) DNB's paid-up share in the ECB's subscribed capital and (ii) net amounts paid due to an increase in DNB's share in the ECB's accumulated equity value[4] resulting from previous capital key adjustments.

3 TARGET stands for Trans-European Automated Real-time Gross settlement Express Transfer system.
4 Accumulated equity value means the total of the ECB's reserves, revaluation accounts and provisions equivalent to reserves, minus any loss carried forward from previous periods. In the event of capital key adjustments taking place during the financial year, the equity value also includes the ECB's accumulated net profit or net loss until the date of the adjustment.

Intra-Eurosystem positions arising from the transfer of foreign reserve assets to the ECB by NCBs which joined the Eurosystem are reported in 'Claims equivalent to the transfer of foreign reserves to the ECB'.

Positions arising from the allocation of euro banknotes within the Eurosystem are included as a single net asset or liability item under 'Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem'. See 'Banknotes in circulation' for further details..

Participating interests

Participating interests are valued at cost, subject to impairment. Income from participating interests is recorded in the profit and loss account under 'Income from equity shares and participating interests'.

The participating interest in the ECB is accounted for in accordance with the principles set out under 'Intra-ESCB and intra-Eurosystem claims and liabilities'.

Tangible and intangible fixed assets

Tangible and intangible fixed assets are valued at cost less depreciation or amortisation, subject to impairment. The buildings are valued at cost, subject to impairment. For intangible assets, in addition to the primary acquisition cost and the costs of external advisers relating to these assets, the in-house hours spent on these assets are also capitalised. For software developed in-house under 'Intangible fixed assets', a statutory reserve has been formed.

Depreciation and amortisation is calculated on a straight-line basis based on useful life, taking into account any residual value of the individual assets. Land and tangible fixed assets under construction are not depreciated. Depreciation starts once an asset is available for its intended use and ends upon its retirement or disposal.

DNB applies component depreciation accounting for tangible fixed assets if significant components of an item of property, plant and equipment can be distinguished. Separate major maintenance components are capitalised if the expected costs exceed €100,000 and the asset's duration is at least 10 years. These components are depreciated individually, taking into account differences in useful lives or expected patterns of use. For each component or part thereof, DNB uses depreciation periods of between 7 and 40 years. For example, the roof, the façade and the structural constructions are depreciated in 20, 30 and 40 years, respectively. Plant and equipment has depreciation periods of between 10 and 20 years. For major maintenance, components have been identified that have depreciation periods of between 7 and 20 years. Furniture, software, computer hardware and trucks are depreciated over periods of 10, 4, 4 and 8 years, respectively.

This policy has applied since the financial year 2023 after DNB had switched to component depreciation accounting. See 'Principal accounting changes from the previous financial year' on page 97.

Other assets (excluding tangible and intangible fixed assets) and accruals and income collected in advance

'Other assets' (excluding tangible and intangible fixed assets) and 'Accruals and income collected in advance' are valued at cost or nominal value, subject to impairment. Transactions in 'Other assets' and 'Accruals and income collected in advance' are recognised in the financial statements as at the settlement date, with the exception of foreign exchange transactions and related accruals, which are reported as at the trade date, in accordance with the economic approach.

Banknotes in circulation

The ECB and the euro area NCBs, which together comprise the Eurosystem, issue euro banknotes[5]. The total value of the euro banknote circulation is

5 Decision (EU) of the European Central Bank of 13 December 2010 on the issue of euro banknotes (recast) (ECB/2010/29 and ECB 2011/67/EU), OJ L 35 of 9.2.2011, pp. 26-29. The unofficial consolidated text summarising the recasts is available here.

allocated to the Eurosystem central banks on the last working day of each month, in accordance with the banknote allocation key[6].

The ECB has been allocated a share of 8% of the total value of euro banknotes in circulation, whereas the remaining 92% has been allocated to NCBs in proportion to their weightings in the Eurosystem capital key. The value of the share of banknotes in circulation allocated to each NCB is accounted for on the liabilities side of the balance sheet under 'Banknotes in circulation'. The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes actually circulated by the relevant NCB gives rise to interest-bearing[7] intra-Eurosystem positions. These claims or liabilities are presented under 'Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem'.

From the cash changeover year[8] onwards, including the five subsequent years, the intra-Eurosystem positions arising from the allocation of euro banknotes are adjusted in order to prevent significant changes in NCBs' relative income positions as compared with previous years. The adjustments are effected by taking into account the differences between the average value of all NCBs' banknotes in circulation by each NCB in the reference period[9] and the average value of banknotes that would have been allocated to them during that period under the Eurosystem capital allocation key. This adjustment is reduced in annual stages until the first day of the sixth year after the cash changeover year, when income on banknotes will be allocated fully in proportion to the NCBs' paid-up shares in the ECB's capital. In this financial year, adjustments resulted from the accession of Hrvatska narodna banka (Croatia). The period ends at the end of financial year 2028.

The interest income and expense on these balances are settled by the ECB and are disclosed under 'Net interest income' in the profit and loss account.

Provision for Financial Risks

A Provision for Financial Risks may be established pursuant to Article 8 of the accounting policies that apply to the ECB and the ESCB. DNB has established a Provision for Financial Risks to cover its exposure to transitory and volatile risks whose size it has established on the basis of a reasoned estimate. DNB and shareholder have made further agreements concerning the use of this provision as part of DNB's capital policy.

Pension and other retirement schemes

The pension entitlements of staff as well as of others having comparable entitlements have been transferred to Stichting Pensioenfonds van De Nederlandsche Bank N.V. (DNB Pension Fund). Through an agreement, DNB has undertaken to pay to the DNB Pension Fund, subject to conditions agreed for the purpose, such amounts as to ensure the pensions under the Pension Fund's pension schemes. In the agreement, the financial methodology is set out in a premium, supplement and risk policy ladder; in the target assets, allowance is made for the indexation ambition. The level of the amounts payable by DNB and the liabilities reported in the financial statements in respect of other retirement schemes are calculated on an actuarial basis.

Other balance sheet items

Other balance sheet items are valued at nominal value, subject to impairment.

6 Banknote allocation key means the percentages that result from taking into account the ECB's share in the total euro banknote issue and applying the subscribed capital key to the NCBs' share in such total.
7 Decision (EU) 2016/2248 of the European Central Bank of 3 November 2016 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (recast) (ECB/2016/36, OJ L 347 of 20 December 2016, pp. 26-36. The unofficial consolidated text summarising the recasts is available here.
8 Cash changeover year means a period of 12 months from the date on which euro banknotes acquire the status of legal tender in a Member State. For Hrvatska narodna banka this refers to 2023.
9 The reference is the 24-month period starting 30 months before the euro banknotes are accepted as legal tender by the Member State concerned.

ECB profit distribution

After adoption by the ECB's Governing Council, the ECB's profit is distributed to the NCBs of the Eurosystem in proportion to their weightings in the Eurosystem capital key by means of an interim profit distribution in January and a final profit distribution in February which is allocated to the following financial year in accordance with prescribed methodology. The Governing Council of the ECB has decided not to make a profit distribution for 2023.

Recognition of income and expense

Income and expense are allocated to the financial year to which they relate. Realised gains and losses on investments are determined according to the average cost method and recognised in the profit and loss account. Unrealised gains are not recognised as income, but recorded directly in the revaluation accounts. Unrealised losses are taken to the profit and loss account if they exceed previous revaluation gains registered in the corresponding revaluation account. They are not reversed in subsequent years against new unrealised gains. Unrealised revaluation losses are recorded in the profit and loss account.

Significant accounting estimates and judgements

The preparation of the financial statements requires management to make significant estimates and judgements that affect the reported amounts. These include estimates of useful lives of tangible fixed assets and depreciation periods of components for major maintenance, and assessments as to whether provisions must be established, with the exception of the Provision for Financial Risks. The estimate of the risk to which DNB is exposed is relevant to determining the amount added to or released from the Provision for Financial Risks. An addition is made only if the financial results permit any such addition.

Notes to the balance sheet

Assets

1. Gold and gold receivables

In the financial year, the volume of the gold holdings did not change. As at 31 December 2023, the gold holdings consisted of 19.7 million fine troy ounces (or 612 tonnes) of gold. Their market value stood at €1,867.83 per fine troy ounce (31 December 2022: €1,706.08). The euro value of this item was higher as at 31 December 2023 compared with 31 December 2022 due to an increase in the market price of gold. The increase was added to the revaluation accounts.

Millions

	EUR
Balance as at 31 December 2021	31,693
Revaluation 2022	1,902
Balance as at 31 December 2022	33,595
Revaluation 2023	3,185
Balance as at 31 December 2023	**36,780**

2. Claims on non-euro area residents denominated in foreign currency

As at 31 December 2023, this item stood at €26,382 million (31 December 2022: €25,989 million). It can be broken down as follows:

2.1 Receivables from the International Monetary Fund (IMF)

Receivables from the IMF totalled €21,169 million (31 December 2022: €21,150 million). The SDR[10]/EUR exchange rate as at 31 December 2023 stood at €1.2157 (31 December 2022: SDR/EUR 1.2517).

The receivables from the IMF are funded and held by DNB for the IMF membership of the Dutch State. The Dutch State has extended a credit guarantee up to the sum of the commitments with the exception of the special drawing rights.

Millions

	31 December 2023		31 December 2022	
	SDR	EUR	SDR	EUR
Reserve tranche position	2,310	2,808	2,441	3,056
Loans	760	924	768	961
Deposits	200	243	-	-
Special drawing rights	14,143	17,194	13,688	17,133
Total	**17,413**	**21,169**	**16,897**	**21,150**

Reserve tranche position

The reserve tranche position stood at €2,808 million as at 31 December 2023 (31 December 2022: €3,056 million), and it is part of the national quota. All IMF member states have made quotas available to the IMF. Their amounts are related to the member states' relative positions in the global economy. The Dutch quota amounts to SDR 8,737 million. The reserve tranche position (SDR 2,310 million) is the share in this quota effectively drawn by the IMF. The remaining amount – the IMF's euro holdings (SDR 6,427 million) – is kept by DNB.

10 The value of the SDR is based on a basket of international currencies: the euro, the US dollar, the Chinese yuan, the Japanese yen and the pound sterling.

Loans

Loans stood at €924 million as at 31 December 2023 (31 December 2022: €961 million).

Millions

	Total facility			31 December 2023		31 December 2022	
	SDR	EUR	End of drawing period*	SDR	EUR	SDR	EUR
PRGT	1,926	2,341	31-12-2029	677	823	724	906
RST	1,000	1,216	30-11-2030	74	90	-	-
NAB	9,190	11,172	31-12-2025	9	11	44	55
2020 credit line		5,863	31-12-2024	-	-	-	-
Total				**760**	**924**	**768**	**961**

* The drawing period is the period during which loans can be taken out.

They can be broken down as follows:

Millions

	Residual maturity* 31 December 2023				Residual maturity* 31 December 2022			
	Total	< 1 year	1 - 2 years	> 2 years	Total	< 1 year	1 - 2 years	> 2 years
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
PRGT**	**823**	32	76	715	**906**	4	33	869
RST	**90**	-	-	90	**-**	-	-	-
NAB**	**11**	-	-	11	**55**	-	-	55
2020 credit line	**-**	-	-	-	**-**	-	-	-
	924	**32**	**76**	**816**	**961**	**4**	**33**	**924**

* The residual maturity is the period between the balance sheet date and the expiration date.
** PRGT and NAB loans have 10-year terms from the time of granting.

The Poverty Reduction and Growth Trust (PRGT) is a fund set up to supply the principal amounts of subsidised low-interest loans to the poorest developing countries.

The Resilience and Sustainability Trust (RST) is a fund that provides finance to low-income and vulnerable middle-income countries to address longer-term challenges, including climate change and pandemic preparedness.

The New Arrangement to Borrow (NAB) is a credit line which DNB has made available to the IMF. The IMF can use this credit line for its regular operations in addition to the quota. In 2023, early repayments of €44 million were made on the NAB loans.

The IMF can draw on the 2020 credit line if resources from the quota and the NAB are insufficient.

Deposit

DNB has made a deposit of up to SDR 200 million available to the IMF for the RST fund. It will mature on 30 November 2050 and amounted to €243 million as at 31 December 2023.

Special drawing rights

As at 31 December 2023, DNB's special drawing rights amounted to €17,194 million (31 December 2022: €17,133 million). They represent the right to exchange SDR holdings to obtain other currencies.

The initial special drawing rights correspond with the liability item 8 'Counterpart of special drawing rights allocated by the IMF'.
At 31 December 2023, these stood at €16,060 million (31 December 2022: €16,535 million). This concerns the total allocation of special drawing rights by the IMF for the benefit of the Dutch State's membership.

2.2 Balances with banks and security investments, external loans and other external assets

As at 31 December 2023, this item stood at €5,213 million (31 December 2022: €4,839 million).

The breakdown of this item by currency is as follows:

Millions	31 December 2023			31 December 2022		
	Foreign currency	EUR	Exchange rate	Foreign currency	EUR	Exchange rate
USD	4,026	3,643	1.105	3,879	3,637	1.067
JPY	141,758	907	156.330	120,045	853	140.660
GBP	129	149	0.869	43	49	0.887
AUD	215	132	1.626	86	55	1.569
NOK	1,381	123	11.241	640	61	10.514
CAD	179	122	1.464	87	61	1.444
CZK	2,934	119	24.724	1,501	62	24.116
DKK	135	18	7.453	0	0	7.437
CNY	1	0	7.851	451	61	7.358
Other currencies		0			0	
Total		**5,213**			**4,839**	

The table below provides a breakdown of these foreign currency balances by investment category.

Millions	31 December 2023	31 December 2022
	EUR	EUR
Fixed-income securities	3,913	4,100
Equity	544	-
Reverse repos	456	360
Equity funds	281	368
Nostro accounts	19	11
Total	**5,213**	**4,839**

In 2023, in order to increase the sustainability of its portfolio investments, DNB brought part of its assets under a discretionary equity mandate. The mandate comprises investment in line with the Paris Climate Agreement.

The Financial overview section of the Accountability chapter on page 58 provides a more detailed discussion of the developments in own investments at a portfolio level.

The table below provides a breakdown of investment categories by residual maturity.

Millions	Residual maturity* 31 December 2023					Residual maturity* 31 December 2022				
	Total	No maturity	< 1 year	1 - 2 years	> 2 years	Total	No maturity	< 1 year	1 - 2 years	> 2 years
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Fixed-income securities	**3,913**	-	2,229	611	1,073	**4,100**	-	2,227	723	1,150
Equity	**544**	544	-	-	-	**-**	-	-	-	-
Reverse repos	**456**	-	456	-	-	**360**	-	360	-	-
Equity funds	**281**	281	-	-	-	**368**	368	-	-	-
Nostro accounts	**19**	19	-	-	-	**11**	11	-	-	-
Total	**5,213**	**844**	**2,685**	**611**	**1,073**	**4,839**	**379**	**2,587**	**723**	**1,150**

* The residual maturity is the period between the balance sheet date and the expiration date.

3. Claims on euro area residents denominated in foreign currency

As at 31 December 2023, this item stood at €540 million (31 December 2022: €169 million).

The breakdown of this item by currency is as follows:

Millions	31 December 2023			31 December 2022		
	Foreign currency	EUR	Exchange rate	Foreign currency	EUR	Exchange rate
USD	572	518	1.105	165	154	1.067
GBP	14	16	0.869	9	10	0.887
AUD	8	5	1.626	8	5	1.569
Other currencies		1			0	
Total		**540**			**169**	

The table below provides a breakdown of these foreign currency balances by investment category.

Millions	31 December 2023	31 December 2022
	EUR	EUR
Fixed-income securities	412	161
USD tender	91	-
Equity	34	-
Nostro accounts	3	8
Total	**540**	**169**

In 2023, in order to increase the sustainability of its portfolio investments, DNB brought part of its assets under a discretionary equity mandate. The mandate comprises investment in line with the Paris Climate Agreement.

The Financial overview section of the Accountability chapter on page 58 provides a more detailed discussion of the developments in own investments at a portfolio level.

The table below provides a breakdown of investment categories by residual maturity.

Millions	Residual maturity* 31 December 2023					Residual maturity* 31 December 2022				
	Total	No maturity	< 1 year	1 - 2 years	> 2 years	Total	No maturity	< 1 year	1 - 2 years	> 2 years
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Fixed-income securities	**412**	-	125	85	202	**161**	-	146	5	10
USD tender	**91**	-	91	-	-	**-**	-	-	-	-
Equity	**34**	34	-	-	-	**-**	-	-	-	-
Nostro accounts	**3**	3	-	-	-	**8**	8	-	-	-
Total	**540**	**37**	**216**	**85**	**202**	**169**	**8**	**146**	**5**	**10**

* The residual maturity is the period between the balance sheet date and the expiration date.

The USD tender comprises claims arising from reverse operations on Eurosystem counterparties of €91 million (31 December 2022: nil). They are related to the short-term liquidity-providing operation in US dollars, under which the Federal Reserve makes US dollars available to the ECB, aiming to provide short-term liquidity in US dollars to Eurosystem counterparties. At the same time, the ECB enters into swap operations with euro area NCBs, including DNB, which use the available funds to enter into liquidity-providing swap operations with Eurosystem counterparties. The swap operations between the ECB and NCBs give rise to claims and liabilities within the Eurosystem, which are recognised under asset item 8.5 ‘Other intra-Eurosystem claims (net)’.

4. Claims on non-euro area residents denominated in euro

As at 31 December 2023, this item stood at €213 million (31 December 2022: €122 million). These claims can be broken down as follows:

Millions	31 December 2023	31 December 2022
	EUR	EUR
Equity funds	207	115
Nostro accounts	6	7
Total	**213**	**122**

The Financial overview section of the Accountability chapter on page 58 provides a more detailed discussion of the developments in own investments at a portfolio level.

The equity funds and nostro accounts have no fixed maturity.

5. Lending to euro area credit institutions related to monetary policy operations denominated in euro

As at 31 December 2023, the Eurosystem's claim arising from the item 'Lending to euro area credit institutions related to monetary policy operations denominated in euro' totalled €410,290 million (31 December 2022: €1,324,347 million). Of this total, lending by DNB to Dutch-based credit institutions amounted to €8,560 million (31 December 2022: €62,145 million). In accordance with Article 32.4 of the Statute of the ESCB and of the ECB, all risks relating to such lending will, if materialised, following a decision by the ECB's Governing Council, be borne in full by the Eurosystem NCBs in proportion to the Eurosystem capital key in force at the time when the loss is suffered. To have access to this facility, a financial institution must meet the requirements laid down by the ECB, including the collateral eligibility criteria. Losses occur only if the counterparty defaults on the repayment and, in addition, the sale of the collateral fails to cover the debt.

This item can be broken down as follows:

Millions	31 December 2023 EUR	31 December 2022 EUR
Main refinancing operations	300	250
Longer-term refinancing operations	8,260	61,895
Fine-tuning reverse operations	-	-
Structural reverse operations	-	-
Marginal lending facility	-	-
Credits related to margin calls	-	-
Total	**8,560**	**62,145**

In 2023, the following interest rates apply from the dates stated:

	Main refinancing operations	Deposit facility rate	Marginal lending facility
20 September 2023	4.50%	4.00%	4.75%
2 Augustus 2023	4.25%	3.75%	4.50%
21 June 2023	4.00%	3.50%	4.25%
10 May 2023	3.75%	3.25%	4.00%
22 March 2023	3.50%	3.00%	3.75%
8 February 2023	3.00%	2.50%	3.25%
21 December 2022	2.50%	2.00%	2.75%

5.1 Main refinancing operations

Main refinancing operations amounted to €300 million as at 31 December 2023 (31 December 2022: €250 million). They are conducted as standard tenders on a weekly basis, usually with a maturity of one week. The main refinancing operations are conducted as fixed-rate tenders. They play a key role in steering interest rates, regulating market liquidity and signalling the monetary policy stance.

5.2 Longer-term refinancing operations

Longer-term refinancing operations, amounting to €8,260 million as at 31 December 2023 (31 December 2022: €61,895 million) mainly relate to TLTRO-III loans. These loans provide longer-term financing. In 2023, €53,635 million in TLTRO III loans was repaid.

In 2019 the ECB's Governing Council introduced the first of an initial series of seven targeted longer-term refinancing operations under the third programme (TLTRO III loans). On 10 December 2020 the Governing Council decided to add three more longer-term refinancing operations, which were conducted between June and December 2021. They have a maturity of three years. For all TLTRO III transactions, credit institutions have a full or partial early repayment option on a quarterly basis if at least one year of the maturity has elapsed. Between 24 June 2020 and 23 June 2022, the interest rates for these transactions were up to 50 basis points below the average deposit facility rate, but in no case below -1% and as low as the average interest rate on the deposit facility over the remaining term of the transaction for the relevant period[11].

The actual interest rate can only be established on the date of maturity or early repayment of each operation. Until then, a reliable estimate is made to calculate the accrued interest on the TLTRO III loans. This means that for the 2023 financial statements interest accrued in respect of these operations have been indexed to the average applicable ECB interest rate since the start of the last interest rate period, which started on 23 November 2022.

5.3 Fine-tuning reverse operations
Fine-tuning reverse operations aim to regulate the market liquidity situation and steer interest rates, particularly to smooth the effects on interest rates caused by unexpected market fluctuations. Owing to their nature, they are conducted on an ad-hoc basis. In 2023, as in 2022, they were not conducted.

5.4 Structural reverse operations
These are reverse open-market transactions through standard tenders to enable the Eurosystem to adjust its structural liquidity position vis-à-vis the financial sector. In 2023, as in 2022, they were not conducted.

5.5 Marginal lending facility
Marginal lending facilities may be used by counterparties to obtain deposits from NCBs at a pre-specified deposit interest rate against eligible assets until the morning of the next business day. In 2023, unlike in 2022, this facility was used on several occasions. These positions were wound down by the end of 2023.

5.6 Credits related to margin calls
These are credits to counterparties in case the collateral provided exceeds a predetermined limit, resulting in excess collateral relative to the outstanding monetary policy operations. In 2023, as in 2022, no credits related to margin calls were extended.

7. Securities of euro area residents denominated in euro

As at 31 December 2023, this item stood at 204,123 million (31 December 2022: €211,793 million), consisting of 'Securities held for monetary policy purposes' and 'Other securities'.

7.1 Securities held for monetary policy purposes
This item consists of securities acquired by DNB within the scope of the third covered bond purchase programmes (CBPP3), the securities markets programme (SMP), the public sector purchase programme (PSPP) and the pandemic emergency purchase programme (PEPP). The SMP ended in September 2012, but has not yet fully expired.

11 On 27 October 2022 the Governing Council of the ECB decided that from 23 November 2022 until the maturity date or early repayment date of each respective outstanding TLTRO III operation, the interest rate on TLTRO III operations would be indexed to the average applicable key ECB interest rates over this period.

	Start date	End date	Decision	Eligible securities*
Completed / Terminated programmes				
CBPP1**	July 2009	June 2010	ECB/2009/16	Covered bonds issued by euro area residents
CBPP2**	November 2011	October 2012	ECB/2011/17	Covered bonds issued by euro area residents
SMP	May 2010	September 2012	ECB/2010/5	Private-sector and public-sector securities issued in the euro area***
Asset purchase programme (APP)******				
CBPP3	October 2014	active	ECB/2020/8 (amended)	Covered bonds issued by euro area residents
ABSPP	November 2014	active	ECB/2014/45 (amended)	Senior and guaranteed mezzanine tranches of asset-backed securities of euro area residents
PSPP	March 2015	active	ECB/2020/9	Bonds issued by euro-area central, regional or local governments or recognised agencies as well as by international organisations and multilateral development banks located in the euro area
CSPP	June 2016	active	ECB/2016/16 (amended)	Bonds and commercial paper issued by non-bank corporations established in the euro area
Pandemic emergency purchase programme (PEPP)				
PEPP	March 2020	active	ECB/2020/17 (amended)	All asset categories eligible under the APP

* Further eligibility criteria for specific programmes are set out in the Governing Council's decisions
** At year-end 2022 and year-end 2023 DNB did not hold any securities under the first and second covered bond purchase programmes (CBPP1 and CBPP2). In 2022, DNB still recorded interest income from CBPP2 since the last holdings under CBPP2 matured in August 2022.
*** Only public debt securities issued by five euro area treasuries were purchased under the SMP.
**** The reinvestments under the APP were discontinued as of 1 July 2023.

Until the end of February 2023,[12] the Eurosystem reinvested all of the principal payments from maturing securities purchased under the asset purchase programme (APP). The APP portfolio subsequently declined at a measured and predictable pace. Until 30 June 2023, the monthly decline averaged €15 billion as the Eurosystem did not reinvest all principal payments from maturing securities. In June 2023, the Governing Council of the ECB decided[13] to discontinue reinvestments under the APP as of July 2023. Principal payments subsequently led to a further decline of the APP portfolio.

With regard to the PEPP portfolio, the Eurosystem has reinvested, in full, the principal payments from maturing securities purchased during the year. The Governing Council of the ECB intends[14] to continue to reinvest during the first half of 2024. Subsequently, over the second half of the year, it intends to

12 See the ECB Governing Council monetary policy decisions of 15 December 2022.
13 See the ECB Governing Council monetary policy decisions of 15 June 2023.
14 See the ECB Governing Council monetary policy decisions of 14 December 2023.

reduce the PEPP portfolio by €7.5 billion per month on average, and to discontinue reinvestments under the PEPP at the end of 2024. The Governing Council will continue applying flexibility in reinvesting redemptions coming due in the PEPP portfolio, with a view to countering risks to the monetary policy transmission mechanism related to the pandemic.

Securities purchased under these portfolios are valued at amortised cost, subject to impairment (see also 'Securities held for monetary policy purposes' in the 'Accounting policies' section).

The amortised cost of the fixed-income securities held by DNB and the other Eurosystem central banks is as follows:

Millions

	31 December 2023			31 December 2022		
Securities held for monetary policy purposes	DNB	Other Eurosystem	Total Eurosystem	DNB	Other Eurosystem	Total Eurosystem
	EUR	EUR	EUR	EUR	EUR	EUR
Completed / Terminated programmes						
SMP	212	2,185	**2,397**	209	2,651	**2,860**
Total Completed / Terminated programmes	**212**	**2,185**	**2,397**	**209**	**2,651**	**2,860**
APP						
CBPP3	24,877	260,743	**285,620**	24,660	277,313	**301,973**
ABSPP	-	13,348	**13,348**	-	22,895	**22,895**
PSPP - government	102,437	2,045,337	**2,147,774**	109,577	2,199,861	**2,309,438**
PSPP - supranational	-	255,261	**255,261**	-	275,228	**275,228**
CSPP	-	323,921	**323,921**	-	344,119	**344,119**
Total APP	**127,314**	**2,898,610**	**3,025,924**	**134,237**	**3,119,416**	**3,253,653**
PEPP						
PEPP - covered bonds	412	5,624	**6,036**	404	5,648	**6,052**
PEPP - government	73,593	1,386,074	**1,459,667**	74,435	1,408,418	**1,482,853**
PEPP - supranational	-	154,332	**154,332**	-	145,687	**145,687**
PEPP - corporate bonds	-	45,989	**45,989**	-	46,074	**46,074**
Total PEPP	**74,005**	**1,592,019**	**1,666,024**	**74,839**	**1,605,827**	**1,680,666**
Total	**201,531**	**4,492,814**	**4,694,345**	**209,285**	**4,727,894**	**4,937,179**

The Governing Council of the ECB and the Executive Board of DNB regularly assess the financial risks associated with the securities held under these programmes. The annual impairment test is conducted by the Eurosystem for each programme on the basis of the information available at the balance sheet date. In cases where impairment indicators are observed, further analysis is performed to confirm that the cash flows of the underlying securities have not been impaired.

In accordance with the decision of the Governing Council taken under Article 32.4 of the Statute of the ESCB and of the ECB, losses from these programmes[15],, if they were to materialise, are shared in full by the Eurosystem NCBs, in proportion to the prevailing ECB capital key shares. Excluding financial losses from PSPP-government and PEPP-government securities, which are not shared by all Eurosystem NCBs. The Governing Council of the ECB decided to add an amount to the provision for monetary policy operations in 2023, due to the impairment of a security held in the PEPP corporate bond portfolio (see also 'Provisions' on page 123).

The amortised cost and market values[16] of the fixed-income securities held by DNB are as follows:

Millions	31 December 2023		31 December 2022	
	Amortised cost	Market value	Amortised cost	Market value
	EUR	EUR	EUR	EUR
Completed / Terminated programmes				
SMP	212	217	209	220
Asset purchase programme (APP)				
CBPP3	24,877	21,387	24,660	20,071
PSPP - government	102,437	91,751	109,576	94,429
Pandemic emergency purchase programme (PEPP)				
PEPP - covered bonds	412	305	405	279
PEPP - government	73,593	64,371	74,435	62,068
Total	**201,531**	**178,031**	**209,285**	**177,067**

15 The ABSPP is on the ECB's balance sheet and is primarily at the ECB's risk. Any losses are charged to the NCBs through the ECB's profit distribution.
16 Market values are indicative and are derived on the basis of market quotes. Where market quotations are unavailable, estimates based on internal Eurosystem models are used. Market values are not presented in the balance sheet or in the profit and loss account, but are provided here for comparative purposes only.

The table below provides a breakdown of the maturities of the fixed-income securities.

Millions

	Residual maturity* 31 December 2023						Residual maturity* 31 December 2022					
	Total	< 1 year	1 - 2 years	2 - 5 years	5 - 10 years	> 10 years	Total	< 1 year	1 - 2 years	2 - 5 years	5 - 10 years	> 10 years
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Completed / Terminated programmes												
SMP	**212**	93	114	5	-	-	**209**	-	90	119	-	-
APP												
CBPP3	**24,877**	1,296	1,042	4,769	9,502	8,268	**24,660**	1,434	1,301	3,583	9,244	9,098
PSPP - government	**102,437**	10,836	6,500	29,874	26,746	28,481	**109,576**	10,826	10,687	24,505	29,598	33,960
PEPP												
PEPP - covered bonds	**412**	-	-	50	63	299	**405**	-	-	1	105	299
PEPP - government	**73,593**	13,793	4,142	18,841	16,865	19,952	**74,435**	13,726	5,185	14,959	17,236	23,329
Total	**201,531**	**26,018**	**11,798**	**53,539**	**53,176**	**57,000**	**209,285**	**25,986**	**17,263**	**43,167**	**56,183**	**66,686**

* The residual maturity is the period between the balance sheet date and the expiration date.

The Financial overview section of the Accountability chapter on page 58 provides a more detailed discussion of the various risks to which the monetary programmes are exposed.

7.2 Other securities

As at 31 December 2023, this item stood at €2,592 million (31 December 2022: €2,508 million). It consists of positions in equities, equity funds and bond funds valued at market value.

The table below specifies other securities by investment category.

Millions

	31 December 2023	31 December 2022
	EUR	EUR
Equity funds	1,566	1,460
Investment-grade bond funds	539	480
High-yield bond funds	403	568
Equity	84	-
Total	**2,592**	**2,508**

As these investments have no fixed maturity, they are not broken down by maturity.

In 2023, in order to increase the sustainability of its portfolio investments, DNB brought part of its assets under a discretionary equity mandate. The mandate comprises investment in line with the Paris Climate Agreement.

The Financial overview section of the Accountability chapter on page 58 provides a more detailed discussion of the developments in own investments at a portfolio level.

8. Intra-Eurosystem claims

As at 31 December 2023, this item stood at €113,570 million (31 December 2022: €151,133 million).

8.1 Participating interest in the ECB

Pursuant to Article 28 of the Statute of the ESCB and of the ECB, the NCBs of the ESCB are the sole subscribers to the capital of the ECB. Subscriptions depend on shares which are fixed in accordance with Article 29 of the Statute of the ESCB and of the ECB and are subject to adjustment every five years or whenever there is a change in composition of the ESCB national central banks.

As at 31 December 2023, this item stood at €622 million (31 December 2022: €622 million). This is comprised of €516 million in capital contribution (31 December 2022: €516 million) and €106 million in contributions resulting from the changes in DNB's share in the ECB's accumulated net equity (31 December 2022: €106 million).

The ECB's authorised and subscribed capital is €10,825 million. Croatia joined the Eurosystem on 1 January 2023. In line with Article 48.1 of the Statute of the ESCB and of the ECB, Hrvatska narodna banka has paid up the remainder of its share in the ECB's authorised and subscribed capital. As a result, the ECB's paid-up capital has increased to €8,948 million as at 1 January 2023, and DNB's Eurosystem capital key decreased from 5.8604% to 5.8133%.

The table below sets out the NCBs' shares in the authorised, subscribed and paid-up capital of the ECB.

Percentages and millions

	31 December 2023				31 December 2022	
	Eurosystem capital key	Capital key	Authorised and subscribed capital	Paid-up capital	Authorised and subscribed capital	Paid-up capital
	%	%	EUR	EUR	EUR	EUR
National Bank of Belgium	3.6139	2.9630	321	321	321	321
Deutsche Bundesbank	26.1494	21.4394	2,321	2,321	2,321	2,321
Eesti Pank	0.2794	0.2291	25	25	25	25
Central Bank of Ireland	1.6798	1.3772	149	149	149	149
Bank of Greece	2.4536	2.0117	218	218	218	218
Banco de España	11.8287	9.6981	1,050	1,050	1,050	1,050
Banque de France	20.2600	16.6108	1,798	1,798	1,798	1,798
Banca d'Italia	16.8518	13.8165	1,496	1,496	1,496	1,496
Central Bank of Cyprus	0.2134	0.1750	19	19	19	19
Hrvatska narodna banka	0.8044	0.6595	71	71	-	-
Latvijas Banka	0.3865	0.3169	34	34	34	34
Lietuvos bankas	0.5741	0.4707	51	51	51	51
Banque centrale du Luxembourg	0.3268	0.2679	29	29	29	29
Central Bank of Malta	0.1040	0.0853	9	9	9	9
De Nederlandsche Bank	**5.8133**	**4.7662**	**516**	**516**	**516**	**516**
Oesterreichische Nationalbank	2.9033	2.3804	258	258	258	258
Banco de Portugal	2.3217	1.9035	206	206	206	206
Banka Slovenije	0.4776	0.3916	42	42	42	42
Národná banka Slovenska	1.1360	0.9314	101	101	101	101
Suomen Pankki-Finlands Bank	1.8221	1.4939	162	162	162	162
*Subtotal for euro area NCBs**	*100.0000*	*81.9881*	*8,875*	*8,875*	*8,805*	*8,805*
Bulgarian National Bank	-	0.9832	106	4	106	4
Česká národní banka	-	1.8794	203	8	203	8
Danmarks Nationalbank	-	1.7591	190	7	190	7
Hrvatska narodna banka	-	-	-	-	71	3
Magyar Nemzeti Bank	-	1.5488	168	6	168	6
Narodowy Bank Polski	-	6.0335	653	24	653	24
Banca Natională a României	-	2.8289	306	11	306	11
Sveriges Riksbank	-	2.9790	322	12	322	12
*Subtotal for non-euro area NCBs**	-	*18.0119*	*1,950*	*73*	*2,019*	*75*
Total for euro area and non-euro area NCBs	**-**	**100.0000**	**10,825**	**8,948**	**10,825**	**8,880**

* Totals may not add up owing to rounding.

8.2 Claims equivalent to the transfer of foreign reserves to the ECB

As at 31 December 2023, these claims – arising from the transfer of foreign reserve assets to the ECB – totalled €2,364 million (31 December 2022: €2,364 million). Pursuant to Article 30.2 of the Statute of the ESCB and of the ECB, the transfer is in proportion to DNB's share in the ECB's subscribed capital. The interest paid on these claims is calculated daily at the latest established rate used in the main refinancing operations of the Eurosystem, with a zero return on the gold component.

8.4 Net claims related to the allocation of euro banknotes within the Eurosystem

This item, amounting to €63,913 million as at 31 December 2023 (31 December 2022: €67,528 million), consists of a net claim of DNB on the Eurosystem relating to the reallocation of euro banknotes. See 'Intra-ESCB and intra-Eurosystem claims and liabilities' and 'Banknotes in circulation' in the 'Accounting policies' section for further details.

The decrease compared to 31 December 2022 (€3,615 million) was due to an increase in euro banknotes put into circulation by DNB (16% increase) and the decrease in euro banknotes in circulation within the Eurosystem as a whole (1% decrease compared to 31 December 2022). The interest paid on these claims is calculated daily at the latest established rate used in the main refinancing operations of the Eurosystem.

8.5 Other intra-Eurosystem claims (net)

As at 31 December 2023, this net claim stood at €46,671 million (31 December 2022: €80,619 million). This item is comprised of three components.

Millions	31 December 2023	31 December 2022
	EUR	EUR
Claims on the ECB in respect of TARGET2	48,612	80,831
Claims on the ECB in respect of monetary income	(1,941)	(212)
Claims on the ECB in respect of the ECB interim profit distribution	-	-
Total	**46,671**	**80,619**

The first component is DNB's TARGET claim on the ECB of €48,612 million (31 December 2022: €80,831 million). This claim is related to receipts and payments of credit institutions and NCBs via TARGET which result in balances held in Eurosystem NCB correspondent accounts. The interest paid on this claim is calculated daily at the latest established rate used in the main refinancing operations of the Eurosystem.

The second component is DNB's position vis-à-vis the ECB due to the annual pooling and distribution of monetary income by the Eurosystem NCBs. As in the previous financial year, DNB had a liability in respect of monetary income to the ECB in 2023, of €1,941 million. A net liability means that, on balance, DNB earned more on its monetary operations than would be expected based on its Eurosystem capital key. See the notes to profit and loss account item 9 'Net result of monetary income pooling' on page 135).

The third component is DNB's claim on the ECB in connection with the interim profit distribution by the ECB. Given the ECB's negative result for 2023, the Governing Council of the ECB decided to retain the income earned by the ECB on banknotes in circulation, as well as the income earned on securities purchased under the SMP, the APP and the PEPP. See 'ECB profit distribution' under 'Accounting policies' on page 101 for further details. As at 31 December 2023, this claim is therefore nil.

9. Other assets

As at 31 December 2023, this item totalled €4,002 million (31 December 2022: €3,150 million).

9.2 Tangible and intangible fixed assets

The table below sets out the components of and movements in tangible and intangible fixed assets.

	Total tangible and intangible fixed assets	Total tangible fixed assets	Land and buildings*	Fittings	Fixed assets under construction	Decommissioned buildings	Total intangible fixed assets	Development costs (software)
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Book value as at 31 December 2021	**211**	**198**	39	12	147	-	**13**	13
Movements:								
Reclassification	**-**	**-**	129	2	(131)	-	**-**	-
Additions	**114**	**108**	-	5	103	-	**6**	6
Disposals	**-**	**-**	-	-	-	-	**-**	-
Depreciation and amortisation	**(25)**	**(21)**	(16)	(5)	-	-	**(4)**	(4)
Impairment losses	**-**	**-**	-	-	-	-	**-**	-
Book value as at 31 December 2022	**300**	**285**	152	14	119	-	**15**	15
Movements:								
Reclassification	**-**	**-**	8	11	(21)	2	**-**	-
Additions	**105**	**105**	-	4	101	-	**-**	-
Disposals	**-**	**-**	-	-	-	-	**-**	-
Depreciation and amortisation	**(22)**	**(17)**	(10)	(7)	-	-	**(5)**	(5)
Impairment losses	**-**	**-**	-	-	-	-	**-**	-
Book value as at 31 December 2023	**383**	**373**	150	22	199	2	**10**	10
Cost	**584**	**486**	172	113	199	2	**98**	98
Accumulated depreciation and amortisation	**(201)**	**(113)**	(22)	(91)	-	-	**(88)**	(88)
Book value as at 31 December 2023	**383**	**373**	150	22	199	2	**10**	10

* Land and buildings includes land in the amount of EUR 7 million. Land is not depreciated.

In 2020 DNB started sustainable renovations of its property at Frederiksplein. As a consequence, the large majority of its workforce are now based in the Toorop building at Spaklerweg in Amsterdam. DNB assumed future contractual financial commitments for the renovation of the property at Frederiksplein of €53 million.

In 2023, the banknote operations and gold stocks were moved to the DNB Cash Centre (DCC) in Zeist, which was completed in 2022. DNB applies component depreciation accounting with respect to the DCC. DNB has switched to a new accounting policy to introduce component depreciation accounting. See 'Tangible and intangible fixed assets' on page 100 and 'Principal accounting changes from the previous financial year' on page 97.

With the DCC now in use, the building in Wassenaar was decommissioned in 2023. This property's current book value is €2 million. DNB has reached agreement to sell the property and expects delivery to take place in 2024.

9.3 Other financial assets

The table below sets out the subcategories of 'Other financial assets'.

Millions

	31 December 2023	31 December 2022
	EUR	EUR
Participating interests	61	61
Equities and equity funds	3	3
Other receivables	76	89
Total	**140**	**153**

Participating interests

The participating interests concern shares in the Bank for International Settlements (BIS), the Society for Worldwide Interbank Financial Telecommunication scrl (SWIFT), and N.V. Settlement Bank of the Netherlands (SBN). The shareholding percentages for the BIS, SWIFT and SBN are unchanged from 2022. The BIS shares are 25% paid-up. As in 2022, the contingent liability for the uncalled part of the shares stood at SDR 64.9 million as at 31 December 2023. Although DNB holds 100% of the shares in SBN, this entity is not within DNB's scope of consolidation. The reason is that DNB cannot exercise any policy-making influence over SBN, which is entirely controlled by external parties.

Percentages and millions

Participating interests	Participation share	Location	Shareholders' equity*	31 December 2023	31 December 2022
			EUR	EUR	EUR
BIS	3.10	Basel (Switzerland)	28,818	52	52
SWIFT	0.03	La Hulpe (Belgium)	664	0	0
SBN	100.00	Amsterdam	9	9	9
Total				**61**	**61**

* Shareholders' equity of SWIFT and SBN is based on the 2022 annual financial statements. Shareholders' equity of the BIS is based on the 2023 annual financial statements (financial year from 1 April to 31 March).

Other receivables

Other receivables mainly include a receivable from a Dutch financial institution arising from staff mortgage loans. The mortgage loan portfolio is periodically assigned to DNB under a concession agreement.

9.5 Accruals and prepaid expenses

As at 31 December 2023, this item stood at €3,372 million (31 December 2022: €2,692 million). This item mainly consists of accrued interest on the monetary portfolios and Eurosystem claims. It also comprises unamortised results, which can be broken down as follows:

Millions	31 December 2023	31 December 2022
	EUR	EUR
Foreign exchange swaps	65	85
Foreign exchange forwards	1	5
Total	**66**	**90**

Liabilities

1. Banknotes in circulation

This item consists of DNB's share in the total euro banknotes circulated by the Eurosystem.

The table below sets out the composition of banknotes put into circulation by DNB less banknotes returned to DNB, by denomination.

Millions	31 December 2023		31 December 2022	
	Number	EUR	Number	EUR
EUR 5	(204)	(1,021)	(200)	(998)
EUR 10	(240)	(2,399)	(233)	(2,331)
EUR 20	(598)	(11,961)	(601)	(12,019)
EUR 50	990	49,503	899	44,944
EUR 100	(102)	(10,166)	(88)	(8,788)
EUR 200	24	4,786	25	5,098
EUR 500	(18)	(8,840)	(17)	(8,678)
Total euro banknotes circulated by DNB		19,902		17,228
Reallocation of euro banknotes in circulation	71,201		74,898	
Euro banknotes allocated to the ECB (8% of the sum of 19,902 + 71,201)*	(7,288)		(7,370)	
		63,913		67,528
Total		**83,815**		**84,756**

* Totals may not add up owing to rounding.

During 2023, the total value of banknotes in circulation within the Eurosystem decreased by 1% (2022: 2% increase). As a result of the reallocation of euro banknotes, DNB's share in the euro banknotes in circulation was €83,815 million as at 31 December 2023 (31 December 2022: €84,756 million). The value of the euro banknotes DNB actually issued in 2023 increased by 16% from €17,228 million to €19,902 million. The difference of €63,913 million between the reallocated amount and the total amount of euro banknotes put into circulation through DNB is shown under 'Net claims related to the allocation of euro banknotes within the Eurosystem'. The negative numbers of banknotes for certain denominations are accounted for by the fact that, on a net basis, DNB issued fewer of these banknotes than it received from circulation.

2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro

This item relates to liabilities to credit institutions arising from DNB's money market policy conducted on behalf of the Eurosystem. As at 31 December 2023, this item stood at €229,323 million (31 December 2022: €291,632 million).

2.1 Current accounts (covering the minimum reserve system)

These liabilities, amounting to €15,433 million as at 31 December 2023 (31 December 2022: €14,463 million), contain the credit balances on the transaction accounts of credit institutions that are required to hold minimum reserves, Excluding funds of credit institutions that are not freely disposable and accounts of credit institutions exempt from minimum reserve requirements. The latter, if any, are disclosed under liability item 3 'Other liabilities to euro area credit institutions denominated in euro'.

The main refinancing rate of interest was paid on minimum reserves until 20 December 2022. The deposit facility rate was paid from 21 December 2022 until 19 September 2023. On 27 July 2023, the Governing Council of the ECB decided to remunerate mandatory reserves at 0% from 20 September 2023.

Since June 2014, the remuneration on excess liquidity holdings has been the lower of either 0% or the deposit facility rate. Starting on 30 October 2019, the Governing Council of the ECB introduced a two-tier system for reserve remuneration, which exempted part of credit institutions' reserve holdings in excess of minimum reserve requirements from negative remuneration at the rate applicable on the deposit facility. This part was remunerated at the annual rate of 0%. The volume that was exempt from the deposit facility rate was determined as six[17] times a credit institution's minimum reserve requirements. Due to the increase in policy rates from 14 September 2022, the Governing Council decided to suspend the two-tier system by setting the multiplier to zero. The two-tier system for reimbursement of excess reserves had become redundant.

2.2 Deposit facility

This permanent facility, amounting to €213,890 million as at 31 December 2023 (31 December 2022: €277,169 million), may be used by credit institutions to place overnight deposits at DNB at the deposit facility rate.

2.3 Fixed-term deposits

Fixed-term deposits are fine-tuning liquidity absorbing operations that take the form of deposits. As in 2022, no bids were made in 2023.

2.4 Fine-tuning reverse operations

These are monetary policy operations intended to tighten liquidity. As in 2022, no such operations were conducted in 2023.

2.5 Deposits related to margin calls

This item refers to deposits made by counterparties in those instances where the market value of the collateral pledged falls short of a pre-established trigger point, implying a deficit of collateral with respect to outstanding monetary policy operations.

3. Other liabilities to euro area credit institutions denominated in euro

This item, amounting to €807 million (31 December 2022: €589 million), consists of liabilities in respect of repo transactions.

4. Liabilities to other euro area residents denominated in euro

As at 31 December 2023, this item totalled €10,540 million (31 December 2022: €16,742 million).

4.1 General government

This item, amounting to €7,153 million as at 31 December 2023 (31 December 2022: €13,917 million) comprises non-monetary deposits as part of DNB's services to governments and supranational institutions. It consists mainly of €7,148 million in liabilities to the Dutch State (31 December 2022: €13,908 million).

4.2 Other liabilities

This item, amounting to €3,387 million as at 31 December 2023 (31 December 2022: €2,825 million) consists predominantly of non-monetary deposits held by financial institutions not required to maintain a minimum reserve as part of DNB's services to other euro area residents.

5. Liabilities to non-euro area residents denominated in euro

This item, amounting to €9,547 million as at 31 December 2023 (31 December 2022: €32,425 million) consists of €4,735 million in non-monetary deposits as part of DNB's services to non-euro area central banks and governments (31 December 2022: €28,752 million), €4,484 million in liabilities to the European Single Resolution Fund (31 December 2022: €3,184 million) and €253 million in liabilities from repo transactions (31 December 2022:€480 million) and €75 million in liabilities related to margin calls (31 December 2022 €9 million).

17 The ECB's Governing Council can change the multiplier over time in line with changing levels of excess liquidity holdings.

8. Counterpart of special drawing rights allocated by the IMF

This item is disclosed under asset item 2.1 'Receivables from the International Monetary Fund (IMF)'.

10. Other liabilities

As at 31 December 2023, this item stood at €394 million (31 December 2022: €1,673 million), This item consists mainly of interest payable on the special drawing rights within the IMF of €112 million (31 December 2022: €76 million) and monetary and non-monetary deposits of €111 million (31 December 2022: €92 million). The difference from 2022 is mainly due to the interest accrued on the TLTRO III loans. As at 31 December 2023, accrued interest amounted to a claim of €191 million, against a liability of €924 million as at 31 December 2022.

11. Provisions

Provisions can be broken down as follows:

Millions	Total	Provision for financial risks	Provision for monetary policy operations	Provision for employee benefits	Other provisions
	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2021	**2,839**	2,806	-	27	6
Withdrawal	**(465)**	(460)	-	(2)	(3)
Release	**(8)**	-	-	(7)	(1)
Addition	**12**	-	-	1	11
Balance as at 31 December 2022	**2,378**	2,346	-	19	13
Withdrawal	**(2,356)**	(2,346)	-	(2)	(8)
Release	**(7)**	-	-	(6)	(1)
Addition	**8**	-	2	5	1
Balance as at 31 December 2023	**23**	**-**	**2**	**16**	**5**

Provision for Financial Risks

In 2023 the full amount of €2,346 million (2022: €460 million) was withdrawn from the Provision for Financial Risks to absorb part of DNB's negative result. As a consequence, the provision stood at nil as at 31 December 2023.

The Financial overview section of the Accountability chapter on page 58 provides a more detailed discussion on the withdrawal from the provision and the risks to which DNB is exposed.

Provision for monetary policy operations

Prompted by the impairment of a security held as part of the CSPP corporate bond portfolio, the ECB's Governing Council has decided in 2023 to form a €42.9 million provision for the credit risk in monetary policy operations. In accordance with Article 32.4 of the Statute of the ESCB and of the ECB, the provision was formed in 2023 by all participating Eurosystem NCBs in proportion to their ECB capital keys. Accordingly, €2 million was added to the provision for monetary policy operations.

Provision for employee benefits

The provision for employee benefits decreased by €3 million to €16 million (31 December 2022: €19 million).

DNB operates the following arrangements:

- a defined benefit pension scheme
- a contribution to the healthcare insurance premiums of a group of pensioners and former employees
- a service anniversary and retirement bonus arrangement
- a surviving dependents' benefit scheme in the event of death
- a state pension bridging arrangement

DNB operates an average-pay staff pension scheme, which features provisional indexation based on the consumer price index. Annual indexation takes place only if DNB Pension Fund's financial position allows this. DNB Pension Fund's policy funding ratio stood at 135.4% at 31 December 2023 (31 December 2022: 133.9%). As in 2022, this means it was not underfunded at year-end 2023. Almost full indexation was applied in the year under review. The pension contribution paid is charged to the profit and loss account, rather than set against a provision. See 'Pension and other retirement schemes' under 'Accounting policies' on page 101 for further details.

The contribution towards the health insurance premiums payable by pensioners and former employees is an allowance towards the costs concerned.

The service anniversary and retirement bonus arrangements provide for bonuses payable to staff upon 20, 30, 40 and 50 years' service and retirement, and payments made in the event of incapacity for work and to surviving dependants.

The surviving dependents' benefit scheme in the event of death includes a lump-sum payment of 2, 3 or 6 months of pension benefits to surviving dependents of a former employee.

The state pension bridging arrangement was agreed under the collective labour agreement. It comprises a lump sum payment equal to the prevailing monthly state pension (AOW) for unmarried persons multiplied by the number of months the DNB employee retires before the statutory state pension date, subject to a maximum of 36 months.

The liabilities and annual costs are actuarially determined. The assumptions used were:

	31 December 2023	31 December 2022
Discount rate for other employee benefits	Scheme-dependent (anniversaries: 3.20% healthcare: 3.20% surviving dependents: 3.15%)	Scheme-dependent (anniversaries: 3.85% healthcare: 3.70% surviving dependents: 3.65%)
Price inflation	2.00%	2.00%
Indexation of pension entitlements	2.00%	2.00%
General salary increase	2 times 2.50% (2024) 2.00% (2025 and beyond)	7.00% (2023) 4.50% (2024) 2.00% (2025 and beyond)
Individual salary increase (average)	2.30%	2.00%
Expected average retirement age	Assumption for all participants: 67	Assumption for all participants: 67
Mortality outlook	Mortality table AG 2022 + mortality experience	Mortality table AG 2020 + mortality experience

Other provisions

Other provisions primarily consist of the €10 million provision related to DNB's historical links to slavery formed in 2022 (31 December 2023: €4 million, 31 December 2022: €10 million) and provisions with respect to restructuring (31 December 2023: €1 million, 31 December 2022: €3 million).

The provision related to DNB's historical links to slavery decreased by €6 million in 2023 as DNB set up a fund and made one-off contributions to educational and historical projects[18]. The DNB fund was set up in cooperation with the Culture Fund, which also manages it. DNB has no controlling interest in the DNB fund.

18 See Box 2 on page 55 in the Accountability chapter for more information.

12. Revaluation accounts

As at 31 December 2023, this item totalled €36,321 million (31 December 2022: €32,883 million).

The table below sets out the components of and net movements in the revaluation accounts.

Millions	Total	Gold	Foreign currency	Fixed-income securities	Equity funds	Equity	High-yield bond funds	Investment-grade bond funds
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2021	**31,741**	30,567	25	9	966	-	97	77
Net revaluation movements	**1,142**	1,902	(16)	(8)	(586)	-	(73)	(77)
Balance as at 31 December 2022	**32,883**	32,469	9	1	380	-	24	-
Net revaluation movements	**3,438**	3,184	(5)	28	112	49	33	37
Balance as at 31 December 2023	**36,321**	**35,653**	**4**	**29**	**492**	**49**	**57**	**37**

The net increase in the aggregate amount for the revaluation accounts of €3,438 million can be ascribed mainly to the higher market value of gold.

13. Capital and reserves

DNB's authorised capital, which is fully issued and paid up, amounts to €500 million and is divided into 500 shares of €1 million each. All shares are held by the Dutch State. The statutory reserve has been formed for the book value of the intangible fixed assets.

The table below sets out the movements in capital and reserves before appropriation of profit:

Millions	Total*	Issued capital	General reserve	Statutory reserve
	EUR	EUR	EUR	EUR
Balance as at 31 December 2021	**8,483**	500	7,970	13
Profit for the year 2021	**15**			
Dividend	**(15)**			
Addition of 2021 net profit*	**-**		-	
Movement in statutory reserve	**-**		(2)	2
Balance as at 31 December 2022	**8,483**	**500**	**7,968**	**15**
Profit for the year 2022	**-**			
Dividend	**-**			
Addition of 2022 net profit*	**-**		-	
Movement in statutory reserve	**-**		5	(5)
Balance as at 31 December 2023	**8,483**	**500**	**7,973**	**10**

* Addition of net profit concerns profit after dividend payment.

14. Result for the year

The result for the 2023 financial year was €(1,139) million (31 December 2022: nil).

With due observance of the relevant provision of the Articles of Association and the shareholder's mandate, the proposed appropriation of the result is set out below.

Millions	2023	2022
	EUR	EUR
Addition (-/- deduction) to the general reserve	(1,139)	-
Distribution to the State	-	-
Profit (-/- loss) for the year	**(1,139)**	**-**

Other notes to the balance sheet

Off-balance sheet positions revaluation differences

The off-balance sheet positions are shown below. Their conversion to euro results in net revaluation differences.

Millions

	31 December 2023							31 December 2022						
	Total	EUR	USD	JPY	GBP	CNH	SDR	Total	EUR	USD	JPY	GBP	CNH	SDR
Foreign exchange swaps														
Receivables	**9,052**	8,221	831	-	-	-	-	**7,651**	6,848	803	-	-	-	-
Payables	**(9,049)**	-	(6,009)	(1,135)	(300)	(450)	(1,155)	**(7,951)**	-	(5,367)	(1,006)	(150)	(239)	(1,189)
	3	8,221	(5,178)	(1,135)	(300)	(450)	(1,155)	**(300)**	6,848	(4,564)	(1,006)	(150)	(239)	(1,189)
Foreign exchange forwards														
Receivables	**1,658**	814	844	-	-	-	-	**3,548**	2,192	1,354	-	2	-	-
Payables	**(1,657)**	(721)	(936)	-	-	-	-	**(3,514)**	(1,108)	(1,922)	(103)	(96)	(160)	(125)
	1	93	(92)	-	-	-	-	**34**	1,084	(568)	(103)	(94)	(160)	(125)
Total*	**4**	**8,314**	**(5,270)**	**(1,135)**	**(300)**	**(450)**	**(1,155)**	**(266)**	**7,932**	**(5,132)**	**(1,109)**	**(244)**	**(399)**	**(1,314)**

* DNB has fully hedged the exchange rate risk of the exposures listed, except for working stocks.

The currency swaps and forwards are used to hedge currency risks. The purpose of interest rate swaps is to hedge interest rate risk. Futures are used to control the maturity profile of the investment portfolio.

A currency swap is a transaction in which parties agree to directly buy or sell one currency in exchange for another currency at the spot rate and later to sell or buy back the currency at the forward rate. A currency forward contract is a transaction in which parties agree to buy or sell a currency in return for another currency at a specific rate and for delivery at a date in the future. Upon initial recognition, positions are valued at the spot rate, split into off-balance sheet presentation at the forward rate and a forward profit or loss recognised under 'Accruals and prepaid expenses', which is amortised. The amortised profit or loss represents the difference between the forward rate and the spot rate. This allows the value to evolve towards the forward rate over time.

A future is a negotiable contract under which a predetermined volume of specific underlying assets is purchased or sold on a specific date and time. As at 31 December 2023, DNB's outstanding futures position was €84.7 million in US dollars (31 December 2022: €352 million). Gains and losses on futures are settled on a daily basis.

USD tender

The off-balance sheet positions include forwards related to the ECB in connection with the short-term USD liquidity providing programme. Related claims resulting from swap transactions with Eurosystem counterparties for providing US dollar liquidity in exchange for euro liquidity are also included under off-balance sheet positions.

Securities lending programme

In accordance with the ECB's Governing Council's decisions, DNB has made available for lending its holdings of securities purchased under the covered bond purchase programme (CBPP3), the public sector purchase programme (PSPP) and the pandemic emergency purchase programme (PEPP). Unless these securities lending operations are conducted against cash collateral, they are recorded in off-balance-sheet accounts.[19] Such securities lending operations with a nominal value of €168 million (31 December 2022: €393 million) were outstanding as at 31 December 2023.

Foreign currency position

As at 31 December 2023, the euro equivalent of the total sum of assets denominated in foreign currency (included in asset items 2 and 3) amounted to €26,922 million (31 December 2022: €26,158 million). As at 31 December 2023, the euro equivalent of the total sum of liabilities denominated in foreign currency (included in liability items 6, 7 and 8) amounted to €16,060 million (31 December 2022: €16,535 million). These positions are included in the revaluation accounts and revalued as set out under 'Revaluation'. DNB has fully hedged its currency risks, except for those on fixed-income securities denominated in currencies other than USD and JPY, equity funds, equities and working stocks.

Management and custody

DNB manages and holds securities and other documents of value in custody as part of its Eurosystem Reserve Management Services (ERMS) to central banks outside the euro area and governments. Such management and custody are for the account and risk of the depositors. Income is recognised in the profit and loss account under 'Commission income'.

19 If cash collateral is not invested at year-end, these transactions are recognised in the balance sheet accounts. See the note to liability item 10 'Other liabilities'.

Events after the balance sheet date

Change due to five-yearly review of the ECB's capital key

In accordance with Article 29 of the Statute of the ESCB and of the ECB, the weightings assigned to the national central banks in the ECB's capital key are to be adjusted every five years. The most recent review was made on 1 January 2024, with DNB's capital key increasing from 4.7662% to 4.8306%, thereby increasing asset item 8.1 'Participating interest in the ECB' by €7 million.

According to Article 30.2 of the Statute of the ESCB and of the ECB, contributions from NCBs to the transfer of foreign reserve assets to the ECB have been fixed in proportion to their share in the ECB's subscribed capital. The increase in DNB's weighting in the ECB's subscribed capital resulted in an increase of €32 million on 1 January 2024, which was paid to the ECB. The next review is due in five years' time, unless member states join or leave the ESCB.

Percentages

	Eurosystem capital key from 1 January 2024	Eurosystem capital key up to and including 31 december 2023
	%	%
Nationale Bank van België	3.0005	2.9630
Deutsche Bundesbank	21.7749	21.4394
Eesti Pank	0.2437	0.2291
Central Bank of Ireland	1.7811	1.3772
Bank of Greece	1.8474	2.0117
Banco de España	9.6690	9.6981
Banque de France	16.3575	16.6108
Hrvatska narodna banka	0.6329	0.6595
Banca d'Italia	13.0993	13.8165
Central Bank of Cyprus	0.1802	0.1750
Latvijas Banka	0.3169	0.3169
Lietuvos bankas	0.4826	0.4707
Banque centrale du Luxembourg	0.2976	0.2679
Central Bank of Malta	0.1053	0.0853
De Nederlandsche Bank	**4.8306**	**4.7662**
Oesterreichische Nationalbank	2.4175	2.3804
Banco de Portugal	1.9014	1.9035
Banka Slovenije	0.4041	0.3916
Národná banka Slovenska	0.9403	0.9314
Suomen Pankki-Finlands Bank	1.4853	1.4939
*Total euro area NCB's**	*81.7681*	*81.9881*
Bulgarian National Bank	0.9783	0.9832
Česká národní banka	1.9623	1.8794
Danmarks Nationalbank	1.7797	1.7591
Magyar Nemzeti Bank	1.5819	1.5488
Narodowy Bank Polski	6.0968	6.0335
Banca Națională a României	2.8888	2.8289
Sveriges Riksbank	2.9441	2.9790
*Subtotal for non-euro area NCBs***	*18.2319*	*18.0119*
Total for euro area and non-euro area NCBs*	**100.0000**	**100.0000**

* Totals may not add up owing to rounding.

Off-balance sheet rights and obligations

Liability claims and proceedings
By reason of its supervisory task or otherwise, DNB may receive liability notices or pre-announcements of such notices. In some cases liability proceedings have been brought against DNB. Where the liability amounts cannot reasonably be estimated or where a liability is unlikely to be settled, DNB suffices by disclosing such cases in this section. No liability proceedings against DNB are currently pending.

IMF
Within the context of the Netherlands' IMF membership, DNB has made various credit lines available to the IMF. More details are provided on pages 103-105.

Provision of euro liquidity through swap agreements
DNB has an agreement with a national central bank outside the euro area. Under the agreement, DNB makes euro liquidity available in this central bank's area of operations, with the aim of preventing market disruptions by meeting potential liquidity needs.

Outsourcing
DNB has outsourced part of its ICT function, including service desk services, the data centre and related services. Under the current contract, DNB's financial liability largely depends on its future scalable service purchase volume. The liability up to and including the financial year 2027 is approximately €29 million.

Rental and lease agreements
DNB has rented part of the Toorop building and the neighbouring premises at Omval in Amsterdam since 1 July 2018. The term of the rental agreements is until 31 August 2025. DNB relocated in 2020 as its office building at Frederiksplein is undergoing major renovation. Annual rental charges are taken to the profit and loss account. The rental liability is presented in the table below.

In 2019 DNB entered into a ground lease agreement with the Dutch State for the benefit of the new location housing DNB's banknote operations and gold vaults in Zeist. The term of the agreement is 60 years. Annual ground rent payments are taken to the profit and loss account. The liability assumed is presented in the table below.

Several DNB staff members are entitled to a lease car on the basis of their positions. By default, the duration of car lease contracts is 4 or 5 years, with the option of renewal. The liability under the present car lease contracts is presented in the table below. Renewal at the current prices is assumed for staff members whose lease contracts expired in 2023.

Millions

	Total	2024	2025 to 2028	2029 and beyond
	EUR	EUR	EUR	EUR
Rental agreements	**19**	11	8	-
Ground lease agreements	**17**	0	1	15
Lease contracts	**5**	2	4	-
Total	**41**	**12**	**13**	**15**

Subletting agreement

Since 1 November 2022, DNB has sublet part of the office space it rents in the Omval office building in Amsterdam. The subletting agreement runs until 31 August 2025. The tenant has a single termination option from 16 January 2024.

Millions	Total	2024	2025 to 2028	2029 and beyond
	EUR	EUR	EUR	EUR
Subletting agreement	**2**	1	1	-
Total	**2**	**1**	**1**	**-**

3 Notes to the profit and loss account

Operating income

1 and 2 Net interest income

This item includes interest income and interest expense in respect of the assets and liabilities denominated in euro.

Given the developments in policy rates, net interest income is specified and disclosed by category below:

Millions	2023	2022
	EUR	EUR
Intra-Eurosystem claims	8,417	1,169
Monetary lending	1,264	(894)
Monetary portfolios	1,045	340
Investments	297	20
Non-monetary deposits	(485)	(22)
Liabilities to euro area credit institutions	(12,023)	(683)
Total	**(1,485)**	**(70)**

Interest income arises mainly on intra-Eurosystem claims, on which the main refinancing rate is paid. See the note to asset item 8 'Intra-Eurosystem claims' for further details.

Interest income on the monetary portfolios has increased as returns on the securities purchased under the reinvestments exceed those on the matured securities. See the note to asset item 7.1 'Securities held for monetary policy purposes' for further details of the monetary purchase programmes.

The shift from interest expense to interest income on monetary lending is caused by rising policy rates and the ECB Governing Council's decision of 27 October 2022 on the remuneration on TLTRO-III loans. See the note to asset item 5.2 'Long-term refinancing operations' for further details of the remuneration on the TLTRO loans.

The increased policy rates caused interest expense on liabilities to euro area credit institutions and non-monetary deposits to increase significantly in 2023, whereas in 2022 interest income turned into interest expense. This has ended the unusual situation of the past few years involving interest income on liabilities to credit institutions.

The 'Financial overview' section of the 'Accountability' chapter on page 58 provides a more detailed discussion of the movements in own investments.

3. Realised gains/(losses) from financial operations

The realised gains from financial transactions of €258 million (2022: €285 million) were partly due to the disposal of an equity fund to enable the transition to an equity mandate.

The Financial overview section of the Accountability chapter provides a more detailed discussion of the developments in own investments at a portfolio level and the creation of this equity mandate.

Millions	2023 EUR	2022 EUR
Net realised price result on equity funds	254	285
Net realised price result on High-yield bond funds	14	-
Net realised result on currency exchange rates	2	24
Net realised price result on equity	0	-
Net realised price result on Fixed-income securities	(12)	(24)
Total	**258**	**285**

4. Write-downs on financial assets and positions

The write-downs of €36 million (2022: €213 million) consist predominantly of foreign currency revaluation losses. In addition, there were price revaluation losses on equities and fixed-income securities. No revaluation losses were incurred on equity and bond funds in 2023.

Millions	2023 EUR	2022 EUR
Foreign currency	(22)	(4)
Equity	(9)	-
Fixed-income securities	(5)	(122)
Equity funds	-	(64)
Investment-grade bond funds	-	(23)
Total	**(36)**	**(213)**

5. Transfer to/from Provision for Financial Risks

In 2023, €2,346 million was withdrawn from the Provision for Financial risks (2022: €460 million). As a result, the amount of the provision is nil (31 December 2022: €2,346 million).

The Financial overview section of the Accountability chapter on page 58 provides a more detailed discussion on the withdrawal from the provision and the risks to which DNB is exposed.

8. Income from equity shares and participating interests

For 2023 this item amounted to €13 million (2022: €13 million). This includes the amount allocated to DNB in respect of the ECB's profit distribution. Given the ECB's result for 2023, the Governing Council of the ECB decided not to distribute an interim profit (see the note under 'ECB profit distribution' in the 'Accounting policies' section on page 101).

9. Net result of monetary income pooling

The net result of monetary income pooling can be broken down as follows:

Millions	2023 EUR	2023 EUR	2023 EUR	2022 EUR
	Interest income	Reallocation of monetary income	Interest income and provision after reallocation	Reallocation of monetary income
	(1)	(2)	(3) = (1) + (2)	(2)
Monetary income accruing to DNB		2,369		418
Monetary income earned by DNB		(4,310)		(632)
Adjustment of monetary income pooling from preceding years		0		2
Allocation of provision for monetary policy operations		(2)		-
Total reallocation of monetary income		**(1,943)**		**(212)**
Items included in monetary income				
Intra-Eurosystem claims	8,417	(7,796)	621	(1,078)
Monetary lending	1,264	297	1,561	277
Monetary portfolios	1,045	883	1,927	286
Liabilities to euro area credit institutions	(12,023)	4,442	(7,580)	300
Income resulting from the difference between earmarkable assets and liability base		233	233	1
Revision of monetary income pooling from preceding years		0	0	2
Provision in respect of monetary policy operations		(2)	(2)	-
Total monetary operations	**(1,297)**	**(1,943)**	**(3,240)**	**(212)**
Non-monetary interest income				
Investments	297		297	
Non-monetary deposits	(485)		(485)	
Total non-monetary interest income	**(188)**		**(188)**	
Total interest income including provision for monetary policy operations	**(1,485)**	**(1,943)**	**(3,428)**	**(212)**

The amount of each Eurosystem NCB's monetary income is determined by measuring the actual annual income that derives from the earmarkable assets held against its liability base. Where the value of DNB's earmarkable asset exceeds or falls short of the value of its liability base, the difference is offset by applying the refinancing rate to the value of the difference. DNB's monetary income earned on earmarkable assets is included under interest income, net of interest expense on the liability base.

For DNB, the result from monetary income pooling of €(1,941) million (2022: €(214) million) arises from the difference between the monetary income earned by DNB, amounting to €4,310 million, and the monetary income reallocated to DNB based on the Eurosystem capital key, amounting to €2,369 million. The net result of monetary income pooling includes DNB's share in the provision for credit losses from monetary policy operations of €2 million. See also the notes under 'Provision for monetary policy operations' and 'Securities held for monetary policy purposes'.

Earmarkable assets can be broken down as follows:

Earmarkable assets	Remuneration rate
Amount of gold holdings in proportion to each NCB's capital key share	0%
Claims equivalent to the transfer of foreign reserves to the ECB (except gold)	Main refinancing operations rate
Lending to euro area credit institutions related to monetary policy operations denominated in euro	Rate of return
Securities held for monetary policy purposes from the CBPP, CBPP2, PSPP - government/agency bonds and PEPP – government securities programmes	Main refinancing operations rate
Securities held for monetary policy purposes from the SMP, CBPP3, PSPP - supranational, CSPP and PEPP (excluding PEPP – government securities) programmes	Rate of return
Claims on non-Eurosystem central banks that relate to liquidity-providing operations	Actual interest income (including accruals)
Accrued coupon interest related balances on impaired securities held for monetary policy purposes and to which full income/risk sharing applies	Not applicable
Net claims related to the allocation of euro banknotes within the Eurosystem	Main refinancing operations rate
Accrued interest relating to regular monetary policy operations with a maturity of over 1 year	Not applicable
Other intra-Eurosystem claims (net)	Main refinancing operations rate

The liability base can be broken down as follows:

Liability base	Remuneration rate
Banknotes in circulation	Not applicable
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	Rate of return

The monetary income pooled by the Eurosystem NCBs is to be allocated among the NCBs according to the subscribed ECB capital key. The pooling and reallocation of monetary income to NCBs leads to certain net reallocation effects. One reason is that the yields earned on certain earmarkable assets and the interest expense paid on certain liability base items may differ to a varying degree among the Eurosystem NCBs. In addition, usually each Eurosystem NCB's share of earmarkable assets and in the liability base deviates from its share in the subscribed capital of the ECB.

10. Other income

This item includes the fees raised from the supervised institutions to cover the costs of its activities as an independent public body, as well as the government contributions to the performance of these activities. In its capacity as an independent public body (ZBO), DNB exercises prudential supervision over financial institutions and is the national resolution authority.

Other income can be broken down as follows:

Millions	2023	2022
	EUR	EUR
Fees from supervised institutions	237	218
Government contribution	2	1
Other	7	3
Total	**246**	**222**

In accordance with supervision and resolution legislation, a more detailed account is given in a separate report.

Operating costs

11. Staff costs

The average number of employees, expressed as full-time equivalents (FTEs), amounted to 2,174 in 2023, versus 2,060 on average in 2022.

The table below provides a breakdown of 'Staff costs'.

Millions	2023 EUR	2022 EUR
Wages and salaries	(209)	(184)
Social insurance contributions	(28)	(24)
Pension costs	(42)	(37)
Other staff costs	(17)	(13)
Total	**(296)**	**(258)**

The pension scheme costs of €42 million (2022: €37 million) are included under 'Pension costs'. They equal total pension contributions paid (2023: €51 million; 2022: €45 million), less employee-paid contributions (2023: €9 million; 2022: €8 million).

Remuneration

General
Under the Public and Semi-public Sector Executives Remuneration (Standards) Act (Wet normering topinkomens – WNT), DNB is required to disclose the remuneration of its senior executives and of officials other than senior executives exceeding the remuneration ceiling referred to in the WNT. DNB classifies the members of the Executive Board and the Supervisory Board as senior executives. The Minister of Finance and the Minister of the Interior and Kingdom Relations have decided that DNB is allowed to agree with Executive Board members on individual remuneration in excess of the ceiling referred to in the WNT.

The remuneration ceiling under the WNT for the financial year 2023 amounts to €223,000[20] (2022: €216,000). Unless stated otherwise, all officials mentioned worked in full-time employment throughout the year.

Executive Board
The individual maximum remuneration of the Executive Board members in 2023, includes holiday allowance, an additional month's salary and other terms and conditions of employment, but has no performance-related component. The pension scheme for the members of the Executive Board is in accordance with the agreements made with the Minister of Finance in 2005, and has been aligned with the statutory provisions that have applied since 1 January 2015. Like other staff, the members of the Executive Board contribute to their pension premiums.

The table below specifies the remuneration, taxable expense allowances and deferred remuneration (employer's pension contributions) for each member of the Executive Board.

		Remuneration and taxable expense allowances		Deferred remuneration		Total remuneration		Individual maximum remuneration	
		2023	2022	2023	2022	2023	2022	2023	2022
Name	Position	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Klaas Knot	President	449,834	438,496	29,166	26,504	479,000	465,000	479,000	465,000
Else Bos	Executive Board Member	437,276	426,767	28,424	25,733	465,700	452,500	465,700	452,500
Nicole Stolk	Executive Board Member	252,576	236,267	28,424	25,733	281,000	262,000	281,000	262,000
Olaf Sleijpen	Executive Board Member	261,576	255,267	28,424	25,733	290,000	281,000	290,000	281,000
Steven Maijoor	Executive Board Member	365,576	356,267	28,424	25,733	394,000	382,000	394,000	382,000
	Total	**1,766,838**	**1,713,064**	**142,862**	**129,436**	**1,909,700**	**1,842,500**		

20 The increase in the remuneration ceiling under the WNT compared to 2022 is 2.9%, rounded up to the nearest thousand in euro (Official Gazette, 31 August 2022, No. 22022).

Remuneration paid to the members of the Supervisory Board

Members of the Supervisory Board are paid fees in line with the WNT, which stipulates maximum fees of 15% of the remuneration ceiling under the WNT for the Chair and 10% for members.

In 2023 and 2022, the members of the Supervisory Board were paid the following fees.

	2023	2022
	EUR	EUR
Martin van Rijn (Chair) [1]	19,612	-
Wim Kuijken (Chair) [2]	13,838	32,400
Frans Muller (Vice-Chair) [3 4]	22,300	-
Margot Scheltema (Vice-Chair) [5]	14,846	21,600
Annemieke Nijhof [6]	22,300	21,600
Marry de Gaay Fortman	22,300	21,600
Roger Dassen	22,300	21,600
Mirjam van Praag [6]	22,300	21,600
Artie Debidien [7]	7,454	-
Feike Sijbesma [8]	4,888	21,600
Peter Blom [9]	-	18,345
Total	**172,138**	**180,345**

1 Martin van Rijn was appointed with effect from 1 June 2023.
2 Wim Kuijken stepped down from the Supervisory Board with effect from 1 June 2023.
3 Frans Muller was appointed with effect from 1 January 2023.4 Frans Muller was appointed Vice-Chair with effect from 1 September 2023.
5 Margot Scheltema stepped down from the Supervisory Board with effect from 1 September 2023.
6 Annemieke Nijhof and Mirjam van Praag were also members of the Bank Council throughout the year under review, for which they were each paid a fee of €4,022 on an annual basis (2022: €3,299), which is not included here.
7 Artie Debidien was appointed with effect from 1 September 2023.
8 Feike Sijbesma stepped down from the Supervisory Board with effect from 22 March 2023.
9 Peter Blom had voluntarily resigned his duties on a temporary basis with effect from 7 November 2022. He stepped down from the Supervisory Board with effect from 15 September 2023.

Officials with remuneration that exceeds the WNT ceiling

In compliance with the WNT, DNB also reports remuneration of officials other than executives that exceeds the remuneration ceiling under the WNT, which in 2023 was €223,000 (2022: €216,000). In respect of these officials the WNT does not impose a ceiling, but prescribes disclosure. The remuneration of these officials exceeds the remuneration ceiling under the WNT as a result of DNB's package of employment conditions. The number of officials whose remuneration details we publish edged up from 17 to 18 in 2022.

Remuneration overview

The table below shows the non-senior executives, listed by position, whose remuneration exceeded the remuneration ceiling under the WNT in 2023.

	Average number of hours a week		Remuneration and taxable expense allowances		Deferred remuneration		Total remuneration	
	2023	2022	2023	2022	2023	2022	2023	2022
Position			EUR	EUR	EUR	EUR	EUR	EUR
Division Director	36	36	272,340	299,726	29,166	26,504	301,506	326,230
Division Director	36	36	238,760	261,937	29,166	26,504	267,926	288,441
Division Director	36	36	232,510	256,878	29,166	26,504	261,676	283,382
Division Director	36	36	227,284	243,535	29,166	26,504	256,450	270,039
Division Director	36	36	227,284	224,533	29,166	26,504	256,450	251,037
Division Director	36	36	227,284	238,556	29,166	26,504	256,450	265,060
Division Director	36	36	227,167	238,431	29,166	26,504	256,333	264,935
Division Director	36	36	226,924	250,964	29,166	26,504	256,090	277,468
Division Director	36	36	227,275	237,379	28,424	25,733	255,699	263,112
Division Director	36	36	227,199	211,921	28,424	25,733	255,623	237,654
Division Director	36	36	227,199	225,220	28,424	25,733	255,623	250,953
Division Director [1]	36	36	227,183	155,929	28,424	19,410	255,607	175,339
Division Director	36	36	226,330	224,636	28,424	25,733	254,754	250,369
Division Director	36	36	224,219	232,962	29,166	26,504	253,385	259,466
Division Director	36	36	223,868	223,094	28,424	25,733	252,292	248,827
Division Director	36	36	223,488	234,985	28,424	25,733	251,912	260,718
Programme Director	36	36	208,520	188,956	29,166	26,504	237,686	215,459
Division Director	36	36	208,063	195,622	29,166	26,504	237,229	222,126

1 Joined 1 April 2022

12. Other administrative costs

The table below specifies 'Other administrative costs'.

Millions	2023 EUR	2022 EUR
Temporary staff and outsourcing	(102)	(111)
Travel and accommodation expenses	(3)	(2)
Accommodation	(24)	(23)
Office equipment, software and office expenses	(48)	(42)
General expenses	(10)	(18)
Total	**(187)**	**(196)**

General expenses include the fees paid to the external auditor. The table below provides a breakdown of the fees into categories.

Whole amounts	KPMG Accountants N.V. 2023 EUR	KPMG Accountants N.V. 2022 EUR
Audit of the financial statements	(698,741)	(667,000)
Other audit services	(177,520)	(163,771)
Assurance-related services	(65,000)	(78,000)
Total	**(941,261)**	**(908,771)**

The total fees for the audit of the financial statements include VAT and are based on the fees paid during the financial year to which the audit relates.

17. Corporate income tax

DNB's corporate income tax liability is limited to duties not assigned to it by law. The corporate income tax payable for 2023 amounted to €0 million (2022: €0 million). No significant results were posted that are related to duties not assigned to DNB by law.

Executive Board and Supervisory Board

Amsterdam, 13 March 2024
Executive Board of De Nederlandsche Bank N.V.

Klaas Knot, *President*
Steven Maijoor
Nicole Stolk
Olaf Sleijpen

Amsterdam, 13 March 2024
Adopted by the Supervisory Board of De Nederlandsche Bank N.V.

Martin van Rijn, *Chair*
Frans Muller, *Vice-Chair*
Annemieke Nijhof
Marry de Gaay Fortman
Roger Dassen
Mirjam van Praag
Artie Debidien

Independent auditor's report

To: the General Meeting and the Supervisory Board of De Nederlandsche Bank N.V.

Report on the audit of the accompanying financial statements 2023

Our opinion

In our opinion the financial statements of De Nederlandsche Bank N.V. have been compiled, in all material respects, in accordance with the models and accounting policies applying to the European Central Bank (ECB/2016/34), the amendments thereto as included in ECB/2019/34 and ECB/2021/51 and the harmonized disclosures to the balance sheet and profit and loss account prepared by the Eurosystem, complemented by the applicable provisions of Part 9 of Book 2 of the Dutch Civil Code, as well as the provisions of the Public and Semi-public Sector Executives Remuneration (Standards) Act Wet bezoldiging topfunctionarissen publieke en semipublieke sector (WNT).

What we audited

We have audited the 2023 financial statements of De Nederlandsche Bank N.V., based in Amsterdam.

The financial statements comprise:

1 the balance sheet as at 31 December 2023;

2 the profit and loss account for the year 2023; and

3 the notes to the balance sheet as at 31 December 2023 and the profit and loss account for the year 2023.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and the Audit Protocol 2023 under the Public and Semi-public Sector Executives Remuneration (Standards) Act. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of De Nederlandsche Bank N.V. in accordance with the Audit firms supervision act (Wet toezicht accountantsorganisaties), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We determined our audit procedures in the context of the audit of the financial statements as a whole and in forming our opinion thereon. The information and our findings on going concern, fraud and a climate of non-compliance with laws and regulations and the key audit matters of our audit should be viewed in that context and not as separate judgments or conclusions.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

Summary

Materiality

- Materiality of EUR 80 million.
- 0.02% of total assets.
- Lower materiality for WNT disclosure.

Risk of material misstatement due to risk related to Fraud, NOCLAR, Going concern and Climate.

- Fraud risks: the assumed risk of management override of internal controls.
- Risks of non-compliance with laws and regulations (NOCLAR): no risk of material misstatement have been identified due to NOCLAR.

The risks defined above are further outlined in the section “Audit approach to fraud risks, management override of internal controls and risk of non-compliance with laws and regulations”.

- Going concern: no going concern risks identified.
- Climate-related risks: we considered the impact of climate-related risks on the financial statements and described our approach and observations in the section "Audit Approach to Climate-Related Risks.

Key audit matters

- Disclosure of risks and buffers, as included in the Accountability Chapter.

Materiality

Based on our professional judgement we determined that the materiality for the financial statements as a whole at EUR 80 million (2022: EUR 80 million). The materiality is determined based on total assets (0.02%). We consider total assets to be the most appropriate benchmark. This benchmark has changed compared to 2022, when we used Capital and Reserves as benchmark. This change is due to the losses DNB has incurred and expect to incur in the coming years. As a result, the benchmark Capital and Reserves will decrease and is therefore no longer suitable. We consider total assets to be the most appropriate alternative benchmark as it provides users of the financial statements an indication of financial risks.

We also consider discrepancies and/or potential discrepancies that we believe are material to users of the financial statements for qualitative reasons, for example, in the disclosure of Risks and Buffers.

We agreed with the Supervisory Board that misstatements in excess of EUR 3.2 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

With respect to the audit of the remuneration disclosure, we apply a lower materiality as prescribed in the 'Controleprotocol WNT 2023' as defined by the Ministry of the Interior and Kingdom Relations. The materiality used to audit the accuracy of the disclosure is set at a range between EUR 5,000 and EUR 10,000 and for the audit of the completeness of the top executives remuneration disclosure at zero and for the audit of the completeness of other executives at 1% with a maximum of EUR 223,000.

Audit response to fraud risks, management override of internal controls and risks of non-compliance with laws and regulations

In the performance of its duties, the Executive Board pays close attention to the risks of fraud and non-compliance with laws and regulations and the Financial Committee of the Supervisory Board reflects on this. The Executive Board of DNB is aware that non-compliance with laws and regulations could result in a reputational risk.

As part of our audit, we have gained insights regarding the company and its business environment. Our procedures included, among other things, assessing the company's code of conduct, whistleblowing procedures, incidents register and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with management, those charged with governance and other relevant functions, such as Internal Audit, Operational Risk Management, Finance, Legal Counsel and Compliance and Integrity. Furthermore, we have evaluated the following documents:

- investigation reports on indications of possible fraud and non-compliance by the Internal Audit Department, Operational Risk Management and Compliance and Integrity;
- legal confirmation letters as requested by us.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks as applicable to the entity. Besides law and regulations which have a direct impact on the financial statements, such as the Banking Act, reporting regulations, tax legislation, the WNT, the Financial Supervision Act and the regulations governing a ZBO, we identified the following areas which, by non-compliance, may indirectly have a material effect on the financial statements:

- General Data Protection Regulation (GDPR);
- European public tendering rules; and
- International sanction legislation.

In addition, there is legislation in the Netherlands, which is not applicable to DNB, but which from a reputational point of view will be applied when possible, such as the Money Laundering and Terrorist Financing (Prevention) Act (Wwft).

We evaluated the fraud and non-compliance risk factors to consider whether those factors indicate a risk of material misstatement in the financial statements.

Within DNB, physical values (gold, banknotes and coins) are present and large financial transactions are conducted that require internal control measures. The associated fraud risk factors were incorporated in our audit. This also applies to the fraud risk factor that we have identified with respect to the WNT disclosure.

Since the Executive Board of DNB does not receive any profit-related remuneration and the profit of the entity is not a goal in itself, we have rebutted the assumed fraud risk related to revenue recognition. In addition, estimates in the financial statements are limited (refer to the section on accounting policies).

Based on the above and on the auditing standards, we identified the following fraud risk that is relevant to our audit and responded as follows:

- Management override of controls (a presumed risk)

Risk:

- Management is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Responses:

- We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls (including the design and existence of booking manual journal entries) that mitigate the fraud risk.
- We performed a data analysis of high-risk journal entries related to transactions concerning financial markets and monetary operations, personnel and operating expenses, property, plant and equipment, and gold. Where we identified instances of unexpected journal entries, we performed additional audit procedures to address each identified risk, including inquiry about the nature of the journal entry and testing of transactions back to source information.

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- We incorporated elements of unpredictability into our audit approach, including a gold hallmark check during the annual gold weighing.

We communicated our risk assessment, audit approach and results to management and the Audit Committee of the Supervisory Board.

Our audit procedures did not reveal any indications and/or other reasonable suspicions of fraud and non-compliance with laws and regulations that are material to the financial statements.

Audit approach going concern

As explained on page 63 of the Accountability Chapter, management has conducted its going concern assessment and has not identified any going concern risks given the central bank's ability to create money in its own currency.

Given this money creation role of DNB arising from the Banking Act, we have assessed that the financial statements can be prepared on a going concern basis.

Audit approach to climate-related risks

The Executive Board has shown its activities and progress toward its climate goals in the Accountability Chapter as included on page 64 in the Accountability section of the annual report. Climate change has a direct impact on the financial-economic system and therefore affects DNB's mission and mandate. DNB aims to respond adequately to these commitments within its mandate.

The Executive Board further assessed how climate-related risks, its own ambitions and legislative and regulatory developments impact DNB's financial statements. To assess the impact of these risks, The Executive Board conducted a climate stress test on the flood risk in 2023. Based on the climate stress test, the impact of severe river flooding in euro area countries on DNB's financial risk and expected profitability was calculated. This shows that DNB's balance sheet is not immune to the impact of flood risks. The impact strongly depends on the monetary policy response.

As the impact cannot be measured with sufficient precision at this stage, the potential financial impact of these and other climate-related risks are not included in the "Risks and buffers" as included on page 61.

As part of our risk assessment, we met with the Executive Board and performed the following procedures to identify and assess risks of material misstatement in the financial statements due to errors or fraud:

- took notice of DNB's activities on climate, as shown in the Climate-related risk section on page 64 and its accountability in this regard in the Annual Report.
- discussed the realisation and results of the climate stress test and took note of the described intended developments therein for the coming years; and
- discussed the progress of DNB's Sustainable and responsible investing in our own-account investments, as included on page 64 of the annual report.

Based on an analysis of the financial statements line items and related accounting policies, DNB estimated that climate-related risks will not have a material impact on the 2023 financial statements. The proprietary investments have been valued at fair value, and the monetary portfolios have been valued at amortized cost, taking into account any impairments if they occur. We agree with this analysis. Therefore, based on the risk analysis performed, we have not identified any material climate-related risks due to error or fraud for DNB's 2023 financial statements.

We have read the information contained in the Annual Report with respect to climate-related risks and considered its material consistency with our knowledge obtained from the audit or otherwise, and in particular as described above.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Executive Board and the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

Disclosure of risks and buffers, as included in the Accountability Chapter

Description

DNB explains its financial risks in the Risks and buffers section, included on page 61 of the Accountability Chapter.

Based on DNB's accounting policies, securities held for monetary policy purposes are valued at amortised cost, taking into account any impairment.

Due to accrued policy interest rates combined with the difference in maturity between securities held for monetary policy purposes and monetary deposits (the liabilities to euro area credit institutions), DNB is exposed to significant interest rate risk. An explanation of the related risks is provided in the Accountability Chapter.

As these risks have a potential impact on future capital development, but are not reflected in the balance sheet as at 31 December 2023, we have classified this note as a qualitative disclosure. To interpret the potential consequences and impact on DNB's Capital and Reserves, we have included not only a description of the risks, but also a financial indication. This is an estimate of interest rate, credit and market risk based on an extreme but plausible scenario calculated by DNB using internal models. Given the high estimation uncertainty in this financial statements, particularly related to interest rate risk, we have identified this as a key issue for our audit.

Our approach

- We have taken notice of the relevant controls that are implemented to ensure the operating effectiveness of the model and ensure the accuracy and consistent application of assumptions and model parameters. We inspected the validation of the model performed by DNB, with the assistance of our own specialists based on their internal model governance guidelines, validation guidelines and the validation report.
- We also inspected the expert judgement process established by DNB to ensure that key assumptions and assumptions in the risk model, such as the development of interest rates in an extreme but plausible scenario, have been determined by DNB's monetary experts.

- Given the complexity and error-prone nature of the calculations in the model, we recalculated the interest rate risk, with the assistance of our specialists, for the most significant parameters.
- We conducted an assessment, with the assistance of KPMG specialists, to evaluate the key assumptions and assumptions in the risk model for determining interest rate risk. Additionally, we inspected the monetary developments and decisions made by the ECB's Governing Council. Based on the aforementioned and the analyses of the risk management department, we determined that these were accurately and completely incorporated in the model's assumptions.
- To verify the accuracy and completeness of the source data used in the model, we reconciled it with internal data and data as received from the ECB or external data suppliers.
- We verified that the results of the model are correctly reflected in the disclosure of the Risks and buffers. We verified that the disclosures are adequate.

Our observation

We have determined that risks have been adequately disclosed in the section Risk and buffers in the Accountability Chapter. The risks identified under an extreme but plausible scenario that have been disclosed to indicate financial risk have been calculated in accordance with internal policies and models.

Paragraph to emphasize the applied accounting principles for valuation and determination of results

We draw attention to paragraph 1 'Accounting Policies' as included in the notes to the financial statements. The financial statements of DNB are, in accordance with the Bank Act 1998, prepared in accordance with the accounting guidelines of the European Central Bank (ECB/2016/34) and the amendments contained in ECB/2019/34 and ECB/2021/51, on accounting and financial reporting in the ESCB and its harmonized disclosures to the balance sheet and profit and loss account.

In addition, the Executive Board of DNB has decided on a number of specific deviations from these principles in order to improve reporting, as well as to comply with the additional specific requirements as included in Part 9 of Book 2 of the Dutch Civil Code and the WNT and or the Guidelines of the Dutch Council for Annual Reporting (RJ), where the ESCB accounting policies do not cover the subject. This is consistent with the unique character of a central bank. For a proper understanding of the financial statements, users should become familiar with the accounting policies as these differ from the more widely known accounting standards, such as IFRS and Part 9 of Book 2 of the Dutch Civil Code.

Our opinion is not modified in respect of this matter.

Unaudited compliance with the anti-cumulation clause in the WNT

In accordance with the 'Controleprotocol WNT 2023', we did not audit the anti-cumulation clause referred to in Section 1.6a of the WNT and Section 5 subsection 1j of the 'Uitvoeringsregeling WNT'.

Consequently, we did not verify whether or not the maximum salary norm has been exceeded by a 'leidinggevende topfunctionaris' (managing senior official) due to possible employment at other institutions subject to the WNT, and whether the WNT-disclosure as required in relation to this clause is accurate and complete.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the Annual Report contains other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all information as required by Part 9 of Book 2 of the Dutch Civil Code regarding the management report and the other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the other information, including the management report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the Executive Board and the Supervisory Board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles of guidance ECB/2016/34 and the amendments as included in ECB/2019/34 and ECB/2021/51, supplemented with the applicable standards of Part 9 of Book 2 of the Dutch Civil Code pursuant to Section 17 of the Banking Act (Bankwet) 1998 and also the Standard Remuneration Act (Wet normering topinkomens). In this respect, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud. The Executive Board, under supervision of the Supervisory Board, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, and taking measures to undo the consequences, as far as possible, and prevent recurrence.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Executive Board must prepare the financial statements using the going concern basis of accounting, unless the Executive Board intend to liquidate the company or terminate the activities, or termination is the only realistic alternative. The Executive Board must disclose in the financial statements events and circumstances that may raise reasonable doubt about the company's ability to continue as a going concern.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, the 'Controleprotocol WNT 2023', the 'Controleprotocol financiële verantwoording Autoriteit Financiële Markten en De Nederlandsche Bank' and the ethical requirements and independence requirements.

Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board;
- concluding on the appropriateness of the Executive Board's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless laws and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amstelveen, 13 March 2024

KPMG Accountants N.V.

M.A. Huiskers RA

Provisions governing the appropriation of profit

These provisions are set out in Article 22(2) of the Articles of Association of De Nederlandsche Bank N.V. and read as follows:
The profit, as shown in the adopted financial statements, is at the disposal of the general meeting.

Annexes

Annex 1 Additional information 2023

This annex provides information and data as background to the Accountability chapter. First, we take a closer look at compliance and integrity at DNB, as discussed in the Trust section. This is followed by key HR figures, which offer context for the Staff section. Lastly, to complement the section on our CSR ambition, we provide additional information on our operational management. This includes donations, contract and supplier management, and our environmental care and carbon footprint.

Compliance & Integrity

In the year under review, Compliance & Integrity organised various activities to promote integrity awareness. For example, it provided workshops on integrity for employees and managers and supervised oath-taking ceremonies. In addition, compliance officers explained the application of DNB's integrity regulations in team and management meetings, and dilemma sessions were held. Several internal training sessions were also facilitated in the year under review, aimed at teaching employees how to react if they witness behaviour that might be undesirable. During the Week of Integrity, Compliance & Integrity organised various activities around the theme "Why good people don't always do the right thing". We expanded our annual integrity statement last year to include an explanation of DNB's various integrity regulations in order to further enhance our integrity awareness.

In 2023, Compliance & Integrity developed a chatbot that allows employees to ask questions about the application of DNB's integrity regulations at any time.

International cooperation

In addition to cooperating with other central banks in the ESCB, Compliance & Integrity shared knowledge and expertise with the central banks of Aruba, Armenia and North Macedonia as part of our Technical Cooperation programme.

Investigations

Three special integrity investigations took place in the year under review. One investigation concerned lost private property. It could not be established why the property was lost. A second investigation concerned a report of unauthorised use of data carriers by an employee. The investigation did not confirm that unauthorised use had taken place. The third investigation concerned a report of careless handling of information by a departing employee. No breach of integrity was found.

The number of integrity incidents reported in the year under review fell slightly compared to 2022. Apart from the incidents below relating to notifiable data breaches, there were no reported incidents of non-compliance with laws and regulations. As of 2023, omissions regarding the careful handling of information (such as an incorrectly sent email) are no longer classified as integrity incidents, but as operational incidents. In the year under review, there were 19 reports of this type of omission, compared to 30 in 2022. We also stepped up our efforts to raise awareness of the rules on private investments. There was a slight decrease in the number of violations of the Regulation on private investment transactions last year. None of these were repeat violations – they were the result of a lack of familiarity with the rules and did not involve insider trading. The other incidents, in addition to those mentioned in the paragraph on special integrity investigations, related to incorrect access rights in an application, the empty return of a registered mail item, and the failure to follow internal procedures when appointing an external consultant.
The number of complaints received by the Complaints Committee decreased sharply compared to 2022. Although we have not been able to identify any direct causes for this decline, it is notable that the number of complaints was higher in 2020, 2021 and 2022 than in the years before and after. This period largely coincides with the COVID-19 pandemic. One of the two complaints received in 2023 was considered. In line with the complaints procedure, this eventually led to a decision on its validity.

Table 1 Integrity incidents, data leaks and complaints 2023

	2023	2022
Integrity incidents (total)	**29**	**51**
Regulation on private investment transactions	13	16
Regulation on independence	3	2
Handling DNB property without due care	7	1
Transgressive behaviour	1	0
Other incidents	5	2
Data leaks (total)	**26**	**37**
Notifiable to the Dutch Data Protection Authority	4	6
Klachten (totaal)	**2**	**17**
Internal	0	3
External	2	14

Key HR figures

Table 2 Key HR figures as at 31 December 2023

General	2023	2022
Workforce (staff members and Executive Board)*	2,382	2,244
Average number of FTEs, full year	2,174	2,060
Ratio total annual compensation of President/median total annual compensation of staff	4.54	4.6
Ratio increase in total annual compensation of President/ median increase in total annual compensation of staff	0.54	0.5
Actual training costs (EUR)	€ 6,995,561	€ 6,451,810
Budgeted training costs (EUR)	€ 7,534,709	€ 7,301,858
% of employees covered by collective labour agreement (excluding Executive Board)	100%	100%
Number of external staff***	848	823

* Does not include trainees, insourced staff or Supervisory Board members.n.
** GRI definition: "*Annual total compensation includes salary, bonus, stock awards, option awards, non-equity incentive plan compensation, change in pension value, and non-qualified deferred compensation earnings provided over the course of a year.* "
*** External staff are not employed by DNB but do use our systems and/or work under our direction.

Number of employees with a disability as at 31 December 2023	2023	2022
– as participation FTEs (25.5 hours per week)	32	25

Gender balance as at 31 December 2023	2023	2022
Supervisory Board - % women	45.45%	50.00%
-% men	54.55%	50.00%
-% other	0.00%	0.00%
Executive Board -% women	40.00%	40.00%
-% men	60.00%	60.00%
-% other	0.00%	0.00%
Division directors -% women**	31.58%	30.00%
-% men	68.42%	70.00%
-% other	0.00%	0.00%
Heads of department -% women***	40.57%	38.04%
-% men	59.43%	61.96%
-% other	0.00%	0.00%
Heads of section -% women	38.71%	42.86%
-% men	61.29%	57.14%
-% other	0.00%	0.00%
Workforce -% women (excl. management)	40.75%	40.35%
-% men	59.21%	59.60%
-% other	0.05%	0.05%
DNB-wide -% women (staff and Executive Board)	40.64%	40.20%
-% men	59.32%	59.76%
-% other	0.04%	0.04%

Age distribution as at 31 December 2023	2023	2022
Supervisory Board -% <30	0.00%	0.00%
-% 30-50	0.00%	0.00%
-% >50	100.00%	100.00%
Executive Board % <30	0.00%	0.00%
-% 30-50	0.00%	0.00%
-% >50	100.00%	100.00%
Division directors <30*	0.00%	0.00%
-% 30-50	31.58%	30.00%
-% >50	68.42%	70.00%
Heads of department <30**	0.00%	0.00%
-% 30-50	68.87%	66.30%
-% >50	31.13%	33.70%
Heads of section <30	0.00%	0.00%
-% 30-50	51.61%	60.71%
-% >50	48.39%	39.29%
Employees (staff and Executive Board) % <30	15.70%	12.92%
-% 30-50	50.92%	52.01%
-% >50	33.38%	35.07%

Employees on a permanent or temporary contract by gender as at 31 December 2023	2023	2022
Permanent - total	2,006	1,917
- women	800	762
- men	1,205	1,154
- other	1	1
Temporary - total	371	327
- women	166	140
- men	205	187
- other	0	0

Employees on a full-time or part-time contract by gender as at 31 December 2023	2023	2022
Full-time (36 hours or more per week) - total	2,134	1,999
- women	788	718
- men	1,345	1,280
- other	1	1
Part-time (12 to 36 hours per week) - total	243	245
- women	178	184
- men	65	61
- other	0	0

Inflow and outflow number and ratio* by gender as at 31 December 2023	2023 (aantal)	2023 (ratio)	2022 (aantal)	2022 (ratio)
Inflow number and ratio - total	377	15.83%	358	15.95%
- women	160	16.74%	144	6.42%
- men	217	15.59%	214	9.54%
- other	0	0.00%	0	0.00%
Outflow number and ratio - total	239	10.17%	256	11.41%
- women	94	9.83%	108	4.81%
- men	145	10.42%	148	6.60%
- other	0	0.00%	0	0.00%

*Inflow ratio is the inflow (total/women/men/other) per number of employees (total/women/men/other)

Inflow and outflow number and ratio by age bracket, 1 January 2023 – 31 December 2023	2023 (aantal)	2023 (ratio)	2022 (aantal)	2022 (ratio)
Inflow number and ratio - total	377	16.05%	358	15.95%
- <30	156	46.29%	120	5.35%
- 30-50	172	14.42%	192	8.56%
- >50	49	5.98%	46	2.05%
Outflow number and ratio - total	239	7.83%	256	11.41%
- <30	42	12.46%	50	2.23%
- 30-50	118	9.89%	122	5.44%
- >50	78	9.52%	84	3.74%

* Inflow ratio is the inflow (total/<30/30-50/>50) per number of employees (total/<30/30-50/>50)

Table 3 Salary ratio* women/men as at 31 December 2023

Basic salary women/men	2023	2022
Basic salary* ratio women/men DNB	1.16	n/a
Basic salary ratio women/men staff	1.16	n/a
Basic salary ratio women/men Executive Board	0.9	n/a
Basic salary ratio women/men division directors	0.99	n/a
Basic salary ratio women/men heads of department	1.024	n/a
Basic salary ratio women/men heads of section	1.014	n/a

* Based on GRI definition.

Remuneration** women/men	2023	2022
Remuneration ratio* women/men DNB	1.14	n/a
Remuneration ratio* women/men staff	1.16	n/a
Remuneration ratio* women/men Executive Board	0.9	n/a
Remuneration ratio* women/men division directors	1	n/a
Remuneration ratio* women/men heads of department	1.02	n/a
Remuneration ratio* women/men heads of section	1.01	n/a

* Based on GRI definition.

Absence due to illness,1 January 2023 – 31 December 2023

Table 4 Absence due to illness

Absence due to illness	2023	2022
Total illness absence rate	3.87%	3.96%
Short-term absence (<7 days)	0.66%	0.81%
Medium-term absence (1-6 weeks)	0.84%	1.02%
Long-term absence (6-52 weeks)	2.06%	1.78%
1 to 2 years	0.33%	0.36%

Donations

We express our social commitment and position in society through financial contributions and donations. We provide financial support to organisations and activities related to our core tasks, such as the Money Wise platform for financial education. We also donate to charitable organisations that are active in the areas of culture, healthcare and society. In 2021, the Executive Board decided to give initiatives that promote sustainability and diversity a stronger focus in our donation policy, as well as other activities that are aligned with our strategy. Our contribution and donation commitments amounted to €477,000 in 2023.

Contract and supplier management

We completed nine European tenders in 2023, each based on socially responsible procurement and purchasing criteria. These criteria were included in the tenders' Statement of Requirements and Preferences, achieving our target of 100%. In addition, 10 direct multi-supplier tender procedures were completed. These procedures, with a contract value below the European tender threshold of €215,000 excluding VAT, were also subject to sustainability criteria. We are committed to socially responsible procurement as defined by PIANOo (the Public Procurement Expertise Centre of the Ministry of Economic Affairs and Climate). As a government organisation, we conduct European tenders for all procurement above the European threshold (€215,000 excluding VAT in 2022). Often, these tenders result in a multi-year framework agreement, within which further agreements are concluded. As part of the standard tender process, we set criteria against which bidders are assessed. In many cases, the inclusion of environmental and social criteria leads to demonstrable returns in these areas, in addition to "regular returns".

Circularity played an explicit role in two tenders carried out in 2023. This concerns the furniture tender for the renovated head office and the design agency tender for the public space in the head office, the latter of which required the use of sustainable materials.
We use a number of controls to ensure, as far as possible, that parties whose services we use comply with legislation and standards regarding integrity and sustainability. Potential partners and suppliers are screened for financial, regulatory and reputational risks. Moreover, additional measures have been taken within DNB, for instance with regard to the requirements in the procurement process (purchase conditions) and their contractual recording. These controls are monitored periodically. Integrity is an explicit part of the on- and off-boarding processes for external parties and suppliers.

Environmental care and carbon footprint of operational management

The Facilities Management, Cash Operations and Security departments use an environmental management system with ISO 14001 certification, which is valid until 2025. In 2023, we successfully completed the external ISO 14001 audit for the environmental management system. We ensure that our operations are climate neutral by offsetting unavoidable carbon emissions. Our carbon emissions before offsetting were higher in 2023 than in 2022, mainly due to an increase in business travel and the inclusion of carbon emissions from remote working.

The Working at DNB strategy, new accommodation plans and previous remote working measures have normalised working from home, or rather location-independent working. As a result, energy is consumed in locations other than DNB's offices. Because this consumption is attributable to DNB, it must be included in our carbon footprint. In 2023, emissions from commuting and business travel both increased, as the impact of the travel restrictions imposed during the pandemic was not a factor anymore.

The temporary location in Haarlem is no longer in use, and DNB's premises have become more sustainable with the opening of the new Cash Centre in Zeist. When the Cash Centre was taken into use in 2023, it achieved a GPR score of 8.1, which is considered high. The GPR certification process focuses on energy, environment, health, quality of use and future value. The Cash Centre only uses fossil fuel to power its emergency generators, has a heat and cold storage system and generates electricity using solar panels. Our renovated head office on Frederiksplein is expected to achieve BREEAM Outstanding certification, a sustainability label for buildings with minimal environmental impact.

Table 5 Carbon footprint of our operational management

Environmental data
Carbon emissions (tonnes)[1]

Measured data[1]	2023[2] CO_2 (tonnes)	2022 CO_2 (tonnes)
Scope 1		
Energy for heating	89	122
Transportation (private and leased vehicles)	191	169
Refrigerants	541	81
Scope 2[3]		
Electricity[4]	450	431
Heat and cold supply (regional network)	180	208
Scope 3		
Business travel, air travel[5]	1,303	572
Business travel, international rail travel	14	19
Business travel, passenger cars	174	115
Business travel, goods transport[6]	147	392
Commuting, passenger cars	395	310
Commuting, public transport	90	60
Location-independent work[4]	641	N/A
Additional items outside scope methodology		
Purchased green gas for heating[8]	28	37
Total CO_2	4,245	2,515
Natural gas already offset	39	23
Offset through purchase of carbon credits[7]	4,207	2,492
Total carbon emissions	**0**	**0**

1 Where possible, we use the emission conversion factors published at www.co2emissiefactoren.nl (in Dutch) and the Milieubarometer (well-to-wheel) to determine our material carbon emissions.
2 The 2023 reporting period runs from 1 October 2022 to 30 September 2023. Figures subject to minor rounding differences.
3 Scope 2 emissions were reported in accordance with market-based methodology.
4 Electric lease is included in scope 2, in accordance with the Green House Gas (GHG) Protocol.
5 Newly added to the carbon footprint in 2023.
6 Recalculation of business flight footprint due to adjusted emission factor. As a result, emissions for the 2022 reporting period have been revised upwards.
7 Since 1 July 2023, the use of biokerosine (SAF) has reduced the carbon footprint of our air travel.
8 The number of carbon credits purchased was determined based on actual carbon emissions during the reporting period, which runs from the fourth quarter of one calendar year to the end of the third quarter of the next year.

Annex 2 About this report

The President's Report describes the main developments and outlook relating to our core tasks. In the Accountability chapter, we look back on the year under review, reporting on our interaction with the outside world as well as on our internal organisation. We continually strive towards more transparency. The dialogue with our stakeholders helps us to do our work as effectively as possible and enables us to increase our impact on society. If you would like to respond to this Annual Report or if you have other comments, please email us at info@dnb.nl.

Reporting guidelines

The Accountability chapter has been prepared in accordance with the 2021 Global Reporting Initiative standards (see GRI 2023 content index). We use GRI- and DNB-specific indicators for material themes. The report on material, financial and economic climate risks and opportunities was prepared based on the recommendations made by the Task Force on Climate-related Financial Disclosures (see CSR and Financial overview). We apply the Partnership for Carbon Accounting Financials (PCAF) measurement methodology to calculate the carbon footprint of our own-account investments. For more details on the reporting guidelines applied, see Definitions and assumptions for reported indicators and Method and data collection in this annex.

Materiality analysis

The Accountability chapter focuses on areas that are relevant to our stakeholders where we can have a positive or negative impact on the economy, environment and people, as well as on themes that have a material impact on DNB and its ability to perform its duties.
The Accountability chapter in this year's report is still largely based on the results of the materiality analysis conducted in 2022, in which we also involved our external stakeholders. However, the material themes this analysis identified were slightly recalibrated in 2023. An internal focus group in which managers from various DNB divisions were represented mainly revised some of the wording. For instance, the theme "price stability in the euro area and changing interest environment" was changed to "price stability in the euro area". In addition, "Balanced relationships" was split into two parts: one that focuses on financial stability and another that combines the various sustainability challenges. The Executive Board approved these changes and added a new material theme: information security. The recalibrated themes were then approved by the Supervisory Board on 24 November 2023. A more fundamental review of the material themes – for which external stakeholders will also be consulted again – is scheduled for 2024, alongside the biennial DNB-wide stakeholder survey.

Table 6 shows the results of the materiality analysis. It also provides an overview of the sections in the Accountability chapter that discuss our role in these themes and lists indicators and target values that can be directly or indirectly influenced by DNB. The value creation model offers an overview of direct results and indirect effects in relation to the material themes (see Figure 1 in the Introduction).

Table 6 Material themes 2023

Material theme	Description	Approach and progress - indicators (target value)	Sustainable Development Goals (subgoals)
1 Solidity and future resilience of Dutch financial institutions	The soundness and liquidity of Dutch banks, insurers, pension funds and other financial institutions and the extent to which their business models are future-proof (including through innovation and appropriate responses to digital challenges), also from a macroprudential perspective.	See Balanced relationships, Trust and CSR ■ Sharing new scientific insights and active stakeholder management in the area of: - ECB monetary policy - Supervision, resolution and risk management - Pensions - Labour and housing markets - Sustainable prosperity - Public finances and sustainability (see CSR section)	SDG 8. Decent work and economic growth SDG 13. Climate action SDG 12. Responsible consumption and production SDG 17. Partnerships for the goals
2 Integrity risks in the Dutch financial sector	Compliance with laws, regulations and corporate governance codes by the financial sector, including by preventing involvement in financial crime and contributing to a reduction in financial crime.	See Trust: ■ Integrity risk in the financial sector: more enforcement in 2023 than in the previous year ■ Increased capacity and cooperation to combat illegal market activities (of trust or crypto service providers) ■ Intensified European cooperation to combat money laundering and terrorist financing See Annex 1 Additional information *Compliance & integrity* (DNB). Compared to 2022, there was: ■ A slight decrease in the number of reported integrity incidents ■ A significant decrease in the number of complaints received by the Complaints Committee	
3 Public trust in the Dutch financial sector	Trust that people in the Netherlands have in financial institutions, based on (i) the extent to which they are able to meet their obligations (and the extent to which there is an orderly resolution should this not be the case) (ii) the extent to which their behaviour is in accordance with laws, regulations and social propriety standards.	See Trust: ■ According to this survey, confidence in DNB remained at the same level as in the spring of 2022 (73%). ■ 62% of respondents are completely or mostly confident that pension funds are able to meet their commitments to pensioners (see Figure 3). When it comes to insurers, 68% of respondents are confident that they can meet their payment obligations to policyholders. - DNB's public reputation score was 58 in 2023, two points higher than the year before.	SDG 17: Partnerships for the goals 17.1 Strengthen domestic resource mobilisation (DRM), including through international support to developing countries, to improve domestic capacity for the collection of tax and other revenue 17.13 Enhance global macroeconomic stability, including through policy coordination and policy coherence

Material theme	Description	Approach and progress - indicators (target value)	Sustainable Development Goals (subgoals)
4 Smooth operation of payment systems	Payment systems that are efficient, secure, reliable and accessible to all, now and in the future.	See Balanced relationships, Trust, CSR ■ 72% of the public have high or very high confidence in payment systems ■ Based on a DNB study, banks reinforced their commitment to guaranteeing accessibility in January 2023. ■ National Forum on the Payment System (NFPS) set 2026 target for satisfaction rate of bank customers in a vulnerable position.	SDG 8: Decent work and economic growth 8.10 Strengthen the capacity of local financial institutions to promote access to banking, insurance and financial services for all
5 Price stability in the euro area	Prices that do not rise or fall too quickly. In other words, an annual medium-term inflation target of 2% in the euro area to ensure that the euro retains its purchasing power. The impact of the changing interest rate environment on investors, financial institutions and economic policymakers.	See Balanced relationships: Price stability in the euro area. ■ Contributed to analyses of the effects of wage and profit developments on price stability. ■ Intensified our relationship with social partners, including FNV, VNO-NCW and AWVN.	SDG 17: Partnerships for the goals 17.13 Enhance global macroeconomic stability, including through policy coordination and policy coherence
6 Financial stability and balanced economic relationships	A financial system and economic sectors capable of absorbing shocks, reflected in adequate buffers and the ability to provide services to the economy on a sustainable basis. Markets that operate efficiently and government policies that remove any distortions from these markets, including the housing market.	See Balanced relationships: Financial stability and balanced economic relationships. ■ A DNB study on the housing market showed that well-intentioned measures to help first-time buyers are ineffective. ■ Policy advice on housing development. ■ Called for the budget deficit to be reduced to 2% in the new government term. ■ Drew attention to vulnerabilities in the financial sector, such as interest rates and credit risk effects in the commercial real estate market. ■ We recalibrated the capital buffers for banks, resulting in slight increases across the board. ■ Sought to influence the European debate on the Basel III Accord. ■ Advised the FSB on global minimum standards for crypto supervision and climate risks. ■ Were involved in the finalisation of the parliamentary process that led to the introduction of the Future of Pensions Act (July 2023)	SDG 17: Partnerships for the goals 17.13 Enhance global macroeconomic stability

Material theme	Description	Approach and progress - indicators (target value)	Sustainable Development Goals (subgoals)
7 Sustainability challenges	An inclusive and sustainable economy and financial sector that address the economic and financial consequences of environmental and societal challenges such as climate change, biodiversity loss and human rights controversies.	See Balanced relationships, CSR, Financial overview (Climate risks, Socially responsible investments)	8. Decent work and economic growth 12. Responsible consumption and production 13. Climate action 17. Partnerships for the goals (incl. 8.10 Access to financial services, 12.6 Corporate Social Responsibility, 13.2 Climate policy and reduction of greenhouse gas emissions, 17.16 Enhance global partnership for sustainable development)
8 Information security	We monitor the security of information from the sector and our own information. Cybersecurity, data integrity and data security play a crucial role in our operations and the way our employees work.	See Trust: Information security	
9 DNB and the labour market	Attracting and retaining a vital, competent, motivated and diverse workforce in an inclusive organisation, aided by digital and other developments to support us in performing our tasks.	See Staff, Operational risk management, Annex 1 Additional information *Key HR figures*	SDG 8: Decent work and economic growth Including 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

Sustainable Development Goals

We endorse the United Nation's Sustainable Development Goals (SDGs). By subscribing to these 17 global goals, organisations, businesses and governments make a commitment to substantially improve the state of our world by 2030. In consultation with our stakeholders, we have decided to focus on the following goals: 8. Decent work and economic growth, 12. Responsible consumption and production, 13. Climate action and 17. Partnerships for the goals. Table 6 shows the relationship between approach and progress on our material themes and the SDG goals and subgoals.

Organisational structure

DNB is a public limited company incorporated under Dutch law whose sole shareholder is the State of the Netherlands. We are part of the European System of Central Banks (ESCB) and the Eurosystem, collaborating with our European counterparts in the areas of monetary policy, payment systems and foreign exchange operations. DNB is also part of the Single Supervisory Mechanism (SSM), which is responsible for European banking supervision, and the Single Resolution Mechanism (SRM), which oversees the proper resolution of failing banks in the euro area. We are an independent public body with a mandate for supervision, resolution and the deposit guarantee scheme (DGS). DNB operates independently in performing its ESCB tasks, in accordance with European laws and regulations. Our temporary head office is located at Spaklerweg 4 in Amsterdam.

The Executive Board is in charge of governance (see the chapter on Executive Board, Supervisory Board, Bank Council and Employees Council, and governance). Within DNB, divisions and staff departments, such as the Internal Audit Department (IAD) and the Executive Secretariat (DS), each report directly to a member of the Executive Board (see the organisational chart on our website). In addition, we manage some activities in the form of programmes, for instance when it comes to our accommodation, the digital agenda and sustainability. In these cases, a steering group or programme director coordinates the activities and reports to one or several members of the Executive Board. The Supervisory Board monitors the general course of business at DNB and the Executive Board's policy regarding the implementation of DNB's national tasks (see the Report of the Supervisory Board).

Management, evaluation and accountability methods

The Executive Board is responsible for managing and evaluating our work and strategy. This includes overseeing the management of developments that can impact the economy, the environment and people. In 2023, we applied the OGSM methodology (objectives, goals, strategies, measures) to enhance our strategic management in relation to achieving our plans and ambitions. The four domains of Monetary Affairs, Supervision, Resolution and Internal Operations, under the supervision of the line directors, prepare annual summary OGSMs listing short-, medium- and long-term goals. These are translated into divisional OGSMs and ultimately into staff performance targets, anchoring strategic management in the assessment methodology. Progress on the domain and divisional OGSMs (formerly divisional plans) is monitored by the Finance & Risk Management division and reported to the Executive Board on a quarterly basis.

In 2021, the Strategic Sustainability Programme and the Sustainable Finance Strategy (SFS) were established to accelerate the realisation of our CSR ambition. The Sustainable Finance Office manages the implementation of the SFS, working closely with the divisions involved in implementing the strategy. Because relevant sustainability aspects must be embedded in all our core tasks, this ambition requires collective responsibility and commitment, not least from senior management. Acquiring knowledge and skills in this area is essential if we are to achieve results. For members of the Executive Board, this happens in part through dialogue with stakeholders and while preparing for consultations with the various national and international bodies they belong to, such as the ECB, the FSB and the NGFS.

This Annual Report was produced under the direction of an editorial committee and a central team from the Economic Policy & Research division, the Finance & Risk Management division, the Executive Secretariat and the Communications department, with input from division directors and other relevant staff. Before publication, the Annual Report – including the Accountability chapter – was submitted to the Executive Board for consultation and approval. The Executive Board discusses the full text of the Annual Report with the Supervisory Board.

Stakeholder engagement
The usefulness and necessity of interacting with our stakeholders is embedded in our strategy. We aim to be an organisation that is aware of its environment and which seeks to connect with the outside world, in the knowledge that we cannot achieve financial stability and sustainable prosperity alone. We have a wide range of stakeholders, including the general public, supervised institutions, industry associations, government and public sector organisations, social partners, universities, research institutes, media, suppliers and NGOs, as well as international organisations to which DNB is affiliated, such as the Eurosystem/ECB, SSM, BIS, IMF, FSB, SRB, EIOPA and EBA.

We interact with our stakeholders in a variety of ways in support of our mission and strategy. The nature, intensity and frequency of these interactions varies. There are various institutionalised forms of stakeholder interaction. The Bank Council, a group of stakeholders from academia, the financial sector and social partners, serves as a focus group for the Executive Board. It has been institutionalised in the Bank Act. Besides participating in bodies that serve our daily tasks – some 50 in number – we also take part in dialogue sessions where material themes such as balanced economic relationships, trust, sustainability and integrity are discussed. For example, during the year under review we had close contact – and shared and discussed analyses – with employers' organisations and trade unions on the risks of a wage-price spiral. We also continued our round-table discussions with banks on how best to combat financial crime. To support the Future-proof Supervision project, which involves a review of the structure of our supervisory organisation, we collected feedback from six financial institutions and a number of ministries and peer supervisors. It is also worth noting that there has been intensive interaction with both internal and external stakeholders in the run-up to the Sustainable Finance Strategy update, in addition to our usual contact with key NGOs. Following a comprehensive internal review of the strategy, we initiated a dialogue with our immediate network to benefit from external perspectives. Through a series of thematic round-tables, we were able to harness input from a wide range of stakeholders, including representatives from the financial sector, policymakers, sustainability experts and NGOs. In the end, it was concluded that the overarching ambition of the original Sustainable Finance Strategy and the objectives for each of the core tasks could be maintained, but that there was room for improvement and new themes. For example, we will intensify our efforts to adopt an integrated approach.

Scope of accountability
The information in this chapter, like the rest of the Annual Report, relates to De Nederlandsche Bank N.V. during the 2023 calendar year. The carbon footprint of our internal operations, however, pertains to the period from Q4 2022 to Q3 2023.

Definitions and assumptions for reported indicators

Employees with an occupational disability
(See GRI-8 for definition of 'employees')
Employees with occupational disabilities are expressed in 'participation FTEs' (25.5 hours per week). Employees with occupational disabilities are those who, due to long-term physical, mental, intellectual or sensory impairments, combined with various barriers, are unable to participate fully, equally and on a lasting basis in the labour market. People who are unable to earn a minimum income without support to cope with their occupational disability are registered in the so-called target group register, managed by the Employee Insurance Administration Agency (UWV).

Method and data collection
The number of participation FTEs as at 31 December of the reporting year is reported. This number is calculated from two different sources. HR registers the number of participation FTEs from the target group register in the UWV

employee portal, while the other participation FTEs are registered by the inclusion officer.

Absence due to illness

(See GRI-8 for definition of 'employees')
Absenteeism due to illness is the (partial) absence by employees due to illness. We distinguish short-term absence (<7 days), medium-term absence (1-6 weeks), long-term absence (6-52 weeks), and absence between 1 and 2 years. The reporting frequency is the number of reports per year divided by the number of employees per year.

Method and data collection
Employees must report sick to their manager and the health & safety department, which records this in MyHR and in the Dossier Manager medical system. The company doctor provides a report to HR, including an explanation of the trends.

Carbon footprint (and offsets) of operational management

Definitions and assumptions
All DNB business units fall within the scope (also known as the 'organisational boundary') for determining the CO_2 footprint. Construction sites where DNB had no control over electricity and gas consumption were excluded. The carbon footprint includes direct and indirect emissions resulting from business activities and is divided into scope 1, 2 and 3 emissions. Emissions resulting from DNB's core activities are not part of the internal operations footprint. Scope 1 emissions are those emitted by assets owned or managed by DNB such as natural gas for heating and fossil fuels used for means of transport. Scope 2 emissions, or indirect emissions from purchased energy, include emissions from the production of electricity, heat or refrigeration generated outside our own organisation but used by DNB. The Scope 3 emissions reported by DNB are the relevant emissions that occur as a result of our activities but are emitted from sources neither owned nor managed by DNB. These are emissions over which DNB therefore also has no direct control, such as commuting, working from home and business travel. Only emissions related to the operational activities, which are therefore relevant, are included in the footprint. Our assessment of the carbon footprint determines annually whether the scope of the operational footprint must be adjusted. This means we are always keenly aware of any internal and external developments that could trigger adjustments to the footprint.

Method and data collection
The Milieubarometer method is used to calculate, record and check our carbon footprint. For practical reasons, the calculation is first made using spreadsheets outside the Milieubarometer system. Both the spreadsheets and the Milieubarometer system are verified. The Dutch list of carbon emission factors, as published on www.CO2-emissiefactoren.nl, is used as the basis for the calculations. An exception applies to two carbon emission factors. To calculate air cargo emissions, we receive emission factors directly from the supplier, and for business flights, we distinguish between economy/business class in addition to distance.

The carbon footprint reporting period is from 1 October to 30 September. This is why the reporting period and assessment of the carbon figures (Q4-Q3) do not coincide with the determination of our other environmental performance. The reasons for this are the timetable for our external annual report and the availability of data from suppliers on other environmental aspects at the end of the calendar year (Q1-Q4). Data for all relevant scope emissions are provided by the responsible departments (e.g. Facilities Management, Cash Operations and HR).
Purchasing carbon credits is the responsibility of the energy coordinator. This responsibility includes all activities related to procurement, such as budgeting, contracting, advice, purchasing and accountability. Carbon emissions are subsequently offset according to the Gold Standard.

Total annual compensation

Total annual compensation is calculated based on column 3 of the payroll statement for the relevant calendar year and the net annual pension contribution. Column 3 of the payroll statement consists of salary, 13th month, holiday bonus and all other gross benefits and allowances paid to individual employees. The sale of hours is not included. We exclude life-course savings scheme and life-course credit payments in 2021, as well as one-off holiday bonuses in 2022. Adjustments have been made for gross deductions related to the applied 30% facility for employees who move to the Netherlands from abroad. Staff who were employed on 31 December of the relevant year are included in the calculation of total annual compensation, using annual salaries for staff who entered employment during the course of the year. To calculate the increase in total annual compensation, we only include staff who were employed both on 31 December of the reporting year and on 31 December of the previous year. We also take into account part-time and full-time employment in calculating the value of column 3. For seconded staff, we include the compensation they would have received if they were employed by DNB. We calculate the attributable pension costs based on full-time pensionable earnings, factoring in the maximum allowable fiscal pension accrual, and apply the recalculated employer percentage less the unweighted average employee contribution.

Carbon footprint of own-account investments

All greenhouse gas emissions are measured and converted to carbon equivalents. For enterprises, supranational institutions and agencies, we calculate scope 1, 2 and 3 emissions. Scope 1 includes direct emissions (e.g. from heating systems, vehicles and generators). Scope 2 includes indirect emissions caused by energy consumption for own use and production (e.g. electricity generated elsewhere). Scope 3 emissions include all other indirect emissions produced as a result of activities that take place outside the production phase (e.g. during the production of purchased raw materials and during the use and waste phases). Two different measures are used for governments: consumption and production emissions. Consumption emissions are calculated based on domestic demand while production emissions include all activities within a country. We report the latter both including and excluding emissions associated with land use, change in land use and forestry (LULUCF). Countries use different methods to include these emissions in their carbon targets, which is why PCAF recommends reporting both. We also reported government emissions last year, but because this only includes government activities it provides a limited picture of a country's emissions. The Eurosystem has therefore decided that central banks are no longer required to report these emissions. We use three metrics to calculate emissions:

Total carbon emissions from investments – By this we mean the sum of all greenhouse gas emissions in the portfolio. We report these for both the sum of scopes 1 and 2 and for the sum of scopes 1, 2 and 3. To calculate this for enterprises, supranational institutions and agencies, we use the enterprise value including cash (EVIC); for governments, we use GDP (purchasing power parity, PPP) (both in millions of euro). The calculation uses the following formula:

$$\textit{Total emissions} = \sum_{i=1}^{n} \left(\frac{\textit{value of investments}_i}{\textit{EVIC or GDP}_i} \ x \ \textit{emisions}_i \right)$$

In this formula, i represents the individual issuer.

Carbon emissions per million euro invested (carbon footprint) – In this indicator, total emissions are adjusted for portfolio size, making it easier to compare emissions from different portfolios. The calculation uses the following formula:

$$\textit{Carbon Footprint} = \frac{\sum_{i=1}^{n} \left(\frac{\textit{value of investments}_i}{\textit{EVIC or GDP}_i} \ x \ \textit{emisions}_i \right)}{\textit{portfolio value}}$$

Weighted average carbon intensity – This indicator denotes a portfolio's exposure to enterprises with relatively high emissions. For enterprises, supranational institutions and agencies, carbon emissions are weighted by turnover in millions of euro. For governments, carbon emissions are weighted by population size (consumption), GDP (PPP) (production).

The calculation uses the following formula:

$$WACI = \sum_{i=1}^{n} \left(\frac{\text{value of investments}_i}{\text{portfolio value}} \right) x \left(\frac{\text{emisions}_i}{\text{'Turnover'}_i} \right)$$

We use the European Commission's EU Paris-aligned benchmark framework to set reduction targets for our equity portfolios. We have decided to use 2019 as our base year, in line with net zero investment guidelines. This year, for the first time, we report on the carbon footprint of equities and bonds compared to the base year. We will formulate our policy for possible recalculations of the base year in 2024 and explain this in the next annual report.

Method and data collection – carbon footprint of our own-account investments

Due to limited data availability, the Eurosystem has decided to use national carbon emissions and financial data for lower-tier governments. Only 3.7% of government bonds held by DNB in 2023 were lower-tier government bonds. Carbon emissions from governments and semi-government bodies and carbon emissions from enterprises, supranational institutions and agencies are reported separately and not added up to avoid double counting. This would happen if we were to invest in enterprises registered in countries for which we also hold government bonds.

The carbon emissions calculation for our investments is based on the composition of our portfolios on 31 December of the reporting year. However, data for both financial indicators (EVIC, GDP and "turnover") and carbon emissions are not yet available for 2023 at the time of writing. For the 2023 reporting period, we used the most recent carbon emissions data available in February 2024: mainly from 2022 for enterprises and 2021 for governments (a one- and two-year delay, respectively). To calculate historical and relative emissions, we also use financial data from previous years (one-year delay for both enterprises and governments). For the sake of consistency, the same delays apply to previous years.

For governments, we use the production emissions reported by countries to the United Nations Framework Convention on Climate Change (UNFCCC). All countries we invest in report this data. Consumption emissions are estimated by our data providers based on information from public sources, such as the European Commission's Emissions Database for Global Atmospheric Research (EDGAR). Carbon emissions data for enterprises, supranational institutions and agencies is sometimes inconsistent between different data providers, as many of the emissions are estimated. Carbon emissions from a proportion of our investments are also based on estimates: 7% for scopes 1 and 2, and 35% for scope 3.

We use several data providers for the carbon emissions figures. In line with Eurosystem agreements, we use the data provider ISS for most of the figures. To calculate consumption emissions, we use Carbon4 Finance data. Using the same calculation method and data providers ensures comparability of publications within the Eurosystem. We use ISS for financial data and World Bank data for population size and GDP (PPP). We also rely on MSCI data because our external managers use this in their reporting. When calculating the carbon footprint of our equities and corporate bonds in 2023, using MSCI data results in a difference of +14% compared to ISS data. In the coming years, we will assess whether the various data sources are converging and remain in dialogue with our data providers.

External assurance

The independent auditor reviewed the non-financial information in the Accountability chapter of this Annual Report. The assurance report has been included in Annex 3.

Benchmarks

The Transparency Benchmark of the Ministry of Economic Affairs and Climate assesses DNB's reporting on corporate social responsibility every two years. This is done for all large enterprises and organisations based in the Netherlands. In 2023, based on our 2022 Annual Report, we ranked 15th in the Transparency Benchmark, six places higher than in the previous study, conducted in 2021.

Table 7 DNB's score and position in the Transparency Benchmark

Year	Number of points	Position (total number of organisations)
2023 (Annual Report 2022)	80	15 (491)
2021 (Annual Report 2020)	78,1	21 (685)
2019 (Annual Report 2018)*	63,5	42 (487)
2017 (Annual Report 2016)	186	26 (477)
2016 (Annual Report 2015)	170	53 (483)
2015 (Annual Report 2014)	174	22 (461)
2014 (Annual Report 2013)	150	57 (242)

*Frequency changed to biennial and scale was adjusted in 2018

In 2019, DNB became the first central bank in the world to sign the United Nations Principles for Responsible Investment (PRI). We prepared a Transparency Report for reporting year 2022. The PRI assessment of this report shows that DNB scores above average to high on all applicable components and that scores have improved compared to the previous assessment in 2020.

Annex 3 Assurance Report of the Independent Auditor

To: the shareholder and the supervisory board of
De Nederlandsche Bank N.V.

Our conclusion

We have performed an assurance engagement with limited assurance on the non-financial information in the Accountability Chapter and in 'Appendix 1 Supplementary Information' of the Annual Report 2023 (hereinafter referred to as 'the non-financial information') of De Nederlandsche Bank N.V. (hereinafter referred to as 'DNB'), Amsterdam, for the year 2023.

Based on the performed procedures and the assurance information obtained, we have no reasons to believe that the non-financial information is not prepared, in all material respects, in accordance with the reporting criteria as disclosed in the 'Reporting Criteria' section of our report.

Basis for our conclusion

We performed our assurance engagement on the non-financial information in accordance with Dutch law, including Dutch Standard 3000A 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)' (Assurance engagements other than audits or reviews of historical financial information (attestation engagements))'. The objective of this engagement is to provide limited assurance. Our responsibilities in this regard are further described in the 'Our responsibilities for the review of the assurance engagement on the non-financial information' section of our report

We are independent of DNB as required by the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO) and other relevant independence rules in the Netherlands. In addition, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Reporting criteria

The non-financial information should be read and understood in conjunction with the reporting criteria. DNB is responsible for selecting and applying these reporting criteria, taking into account relevant laws and regulations relating to reporting.

The reporting criteria applied for the preparation of the non-financial information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) in combination with DNB's own reporting criteria. The reporting criteria are further detailed in 'Appendix 2 About this report'.

Materiality

Based on our professional judgement, we have determined materiality levels for each relevant component of the non-financial information. In evaluating our materiality levels, we considered quantitative and qualitative aspects as well as the relevance of information to both stakeholders and the entity.

Limitations to the scope of our assurance engagement

The non-financial information includes forward-looking information such as ambitions, strategy, plans, expectations, estimates and risk assessments. Inherent to forward-looking information the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of forward-looking information in the non-financial information.

References in the non-financial information to external sources or websites are not part of the non-financial information itself as reviewed by us. Therefore, we do not provide assurance on this information.

Responsibility of the Executive Board and Supervisory Board of the non-financial information

The Executive Board is responsible for the preparation of the non-financial information in accordance with the applicable reporting criteria, including the identification of stakeholders and the definition of material matters. The decisions made by the Executive Board regarding the scope of the non-financial information and the reporting policy are summarized in the 'Reporting Guidelines' section of 'Appendix 2 About this Report'.

The Executive Board is also responsible for such internal control as it determines is necessary to enable the preparation, measurement or evaluation of the non-financial information that is free from material misstatement, whether due to fraud or error.

The supervisory board is responsible for supervising DNB's reporting process.

Our responsibilities for the assurance engagement on the non-financial information

Our responsibility is to plan and perform an assurance engagement in such a manner that allows us to obtain sufficient and appropriate assurance evidence to support our conclusion.
Our assurance engagement focuses on obtaining a limited level of assurance to determine the plausibility of information. The procedures vary in nature and timing, and are less in extent, compared to a reasonable assurance engagement. Therefore, the level of assurance obtained in a limited assurance engagement is substantially less than the assurance that would have been obtained in a reasonable assurance engagement.

We apply the 'Nadere Voorschriften Kwaliteitssystemen' (NVKS, Regulations for Quality management systems). Based on this we maintain a comprehensive system of quality control including defined guidelines and procedures on compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

Our assurance engagement included among others:

- Performing an analysis of the external environment and obtaining an understanding of relevant societal themes and issues, and the characteristics of the entity.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the non-financial information. This includes the evaluation of the results of stakeholder dialogue and the reasonableness of estimates made by the Executive Board.
- Obtaining an understanding of the reporting processes for the non-financial information, including obtaining a general understanding of internal control relevant to our assurance engagement.
- Identifying areas of the non-financial information where a material misstatement, whether due to fraud or error, are most likely to occur, designing and performing assurance procedures responsive to these areas, and obtaining assurance information that is sufficient and appropriate to provide a basis for our conclusion. These procedures included, amongst others:
  - interviewing management and relevant staff at corporate level responsible for the strategy, policy and results;
  - interviewing relevant staff responsible for providing the information for, carrying out internal control procedures over, and consolidating the data in the non-financial information;
  - obtaining assurance information that the non-financial information reconciles with underlying records of the entity; and
  - reviewing, on a limited test basis, relevant internal and external documentation
- Evaluating the overall presentation, structure and content of the non-financial information.
- Considering whether the non-financial information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We have communicated with the Executive Board, among other matters, the planned scope and timing of the assurance engagement and any significant findings that we identified during our assurance engagement.

Amstelveen, 13 March 2024

KPMG Accountants N.V.

M.A. Huiskers RA

Glossary

Terms	Definition
Bank for International Settlements (BIS)	Organisation pursuing international monetary and financial cooperation and acting as a bank for the national central banks.
Cash and payment systems	We actively promote accessible, secure and reliable cash and payment systems. As a member of the Eurosystem, we issue banknotes and are responsible for the circulation of coins and banknotes in the Netherlands. We also manage payment systems, and we are responsible for oversight (payment supervision) of institutions and systems that process payment transactions.
Statistics Netherlands (CBS)	National institute that collects data and compiles statistics on Dutch society. It produces statistical information on a wide range of social and economic themes.
CO_2 compensation	Offset of carbon emissions by investing in a reduction elsewhere.
Crypto	A digital asset managed by cryptographic algorithms, usually based on blockchain technology. Cryptos do not have a physical manifestation like a euro coin. Rather, they are encrypted code, like passwords, that can be transferred and stored electronically.
ESG	Environmental, social and governance (ESG) issues.
European Banking Authority (EBA)	European authority responsible for improving the quality and harmonisation of prudential supervisory regulations, contributing to their consistent application and mediating in any disagreements about them.
European Insurance and Occupational Pensions Authority (EIOPA)	Authority responsible for prudential supervision in the insurance and pensions sector in Europe.
European Stability Mechanism (ESM)	Permanent European fund that can lend to euro area countries facing financial difficulties, subject to certain conditions.

Terms	Definition
European Central Bank (ECB)	The central bank of the 20 European member states that have adopted the euro, forming the Economic and Monetary Union (EMU). The ECB's primary objective is to maintain price stability in the euro area. Price stability is defined as medium-term inflation of 2%.
Eurosystem	The European Central Bank and the national central banks of the EU Member States that use the euro as their single currency.
Financial Action Task Force (FATF)	Inter-governmental body that combats money laundering and terrorist financing. It has 39 members, including the Netherlands, the European Commission and the Gulf Cooperation Council.
Financial Stability Board (FSB)	Global network that promotes international financial stability by coordinating and monitoring the work of supervisory authorities and international regulators in the area of financial supervision and regulation.
Financial stability	We are committed to a stable financial system that ensures an efficient allocation of resources and that is capable of absorbing shocks so that these do not have a disruptive effect on the real economy.
Governing Council	The main decision-making body of the ECB. It consists of the six members of the Executive Board, plus the governors of the national central banks of the 20 euro area countries.
IMF	Responsible for safeguarding the stability of the international monetary system. It does this by providing economic advice to its 190 member countries, and by making loans available to countries with balance of payments difficulties and poor access to capital markets. The IMF's loans are subject to policy conditions.
ISO 14001:2015	An international standard that specifies requirements for environmental management systems that organisations use to gain insight into their environmental impact.
Capital policy	The capital policy sets out the rules for the buffers DNB holds, how large they must be and how they are to be used.

Terms	Definition
Capital Markets Union	EU aim to improve the functioning of cross-border capital markets in the euro area.
National Forum on the Payment System (NFPS)	A large group of civil society organisations, chaired by DNB, which focuses on improving the efficiency of the retail payment system.
Socially responsible investment	The policy through which DNB considers environmental, social and governance (ESG) aspects, in addition to financial and economic aspects, when making investment decisions.
Monetary tasks	As a member of the Eurosystem, we contribute to decision-making on monetary policy and its implementation. Monetary policy is aimed at price stability, which is defined as an inflation rate of 2% over the medium term.
Dutch Deposit Guarantee	Statutory protection of savings in a Dutch bank account of up to €100,000 per person per bank.
Network of Central Banks and Supervisors for Greening the Financial System (NGFS)	Network of central banks, supervisory authorities and international organisations that aims to green the financial system and strengthen the efforts being put forth by the financial sector to achieve the Paris climate agreement goals
Open market operations (OMOs)	These are transactions through which the ECB provides financing to banks in order to satisfy their liquidity needs or to absorb excess liquidity from the system. Lending to banks is collateralised.
Pandemic Emergency Purchase Programme (PEPP)	The ECB's emergency purchase programme, launched in March 2020 with the aim of mitigating the impact of the COVID-19 pandemic by promoting the effectiveness of monetary policy and by making financing conditions more accommodative. Both public and private debt certificates were purchased under the programme until March 2022. Reinvestments will be phased out over the course of 2024 and are expected to stop by the end of 2024.
Sustainable Finance Platform	A group consisting of supervisory authorities, sector associations, ministries and the Sustainable Finance Lab that seeks to promote and increase awareness of sustainable finance in the financial sector by coming together to consider ways to avoid or overcome obstacles to sustainable finance

Terms	Definition
Principles for Responsible Investment	Network of investors, supported by the United Nations, aimed at promoting sustainable investment. PRI signatories commit to six principles and publish an annual Transparency Report on their policies and implementation of responsible investment standards across various asset classes, which is assessed by PRI.
Resolution	As the Dutch resolution authority, we seek to ensure that the critical functions of banks, insurers and central counterparties are safeguarded to the greatest extent possible, while non-viable institutions or parts of institutions are wound up in an orderly manner.
Stablecoin	A crypto whose value is kept as stable as possible in relation to fiat currencies such as the euro and the US dollar thanks to specific mechanisms. Some stablecoins are backed by gold or another commodity rather than by fiat money. The aim of stablecoins is to make cryptos suitable as a day-to-day means of payment.
Statistics	DNB collects statistical information and compiles statistics in close cooperation with partners such as Statistics Netherlands (CBS), the European System of Central Banks (ESCB) and the International Monetary Fund (IMF).
TARGET2	T2 is the Eurosystem's wholesale payment system that enables some 1600 central and commercial banks in the euro area to make payments to one another in real time.
Targeted Longer-Term Refinancing Operations (TLTRO III)	Targeted refinancing operations offered by the Eurosystem aimed at stimulating lending to enterprises and consumers in the euro area. Eurosystem banks have repaid roughly three-quarters of their TLTRO III funding, and the last TLTRO III operations are set to mature in 2024.
Supervision	We exercise prudential supervision of banks, pension funds, insurers and other financial institutions by checking whether they are financially sound and are able to meet their obligations, and by conducting assessments of board members, issuing licences and combating financial crime. Whereas prudential supervision focuses on the soundness of individual institutions, macroprudential supervision focuses on the interaction between financial institutions, financial markets and the macroeconomic environment.

Terms	Definition
Task Force on Climate-related Financial Disclosures (TCFD)	The FSB established the TCFD to develop more effective disclosures on climate risks.
TIBER	An acronym that stands for Threat Intelligence-Based Ethical Red teaming. TIBER is a framework and programme for cybersecurity tests and involves carrying out controlled attacks on participating institutions, including DNB, based on current threat data. The aim is to learn lessons from the results and become more resilient against sophisticated attacks.
UN Global Compact	The United Nations Global Compact encourages enterprises all over the world to implement sustainable and responsible policies. It encapsulates principles in the areas of human rights, labour, the environment and the fight against corruption.
Provision for financial risks (VFR)	Buffer in our balance sheet to cover temporary risks.
Money Wise	Initiative of the Ministry of Finance. Partners from the financial sector, academia, government, education and consumer organisations join forces in this platform to promote financial literacy in the Netherlands.

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